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Hungarian Politics in 2020

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Introduction

Policy Solutions has a long history of providing international audiences with in-depth analyses of Hungarian political life. Thanks to the support of the Friedrich-Ebert-Stiftung (FES), for the seventh time we herewith present an annual review of Hungarian politics. This is a comprehensive overview of recent developments, events and trends in Hungary in 2020, and an outlook on what topics we expect to dominate Hungarian politics in 2021.

The target audience of this publication is students and academics, journalists, diplomats or international organisations. In other words, anyone who has an interest in the political, economic and social landscape of Hungary in 2020, be it the Covid-19 crisis management of the government, the prospects of the united opposition and the state of opposition-run municipalities, the Orbán government's position in the European Union, the main economic trends or the government's steps to gain more influence in the media, education and culture. It is important to stress that our review is not chronological and does not claim to be exhaustive in its scope, rather it reflects our selection of the major developments over the past twelve months.

In particular, we focus on five broad areas, presenting distinct developments in each. In the first section we review the year from the perspective of the Hungarian government, with a special emphasis on the impact of the Covid-19 crisis and how the Orbán government has tried to control the narrative and has used the crisis as a cover to further improve its power position. In the second section we look at the opposition parties, their state and prospects after announcing that they will stand united against Fidesz at the 2022 parliamentary elections. The third section focuses on foreign affairs, in particular the conflict between the Hungarian government and the EU over the rule-of-law mechanism and the next EU budget. In the fourth section, we take a detailed look at how Fidesz's policies have shaped the economy during the Covid-19 crisis. Finally, some key developments of the Hungarian society – media landscape after the takeover of Hungary's leading online news site, Index; increasing Fidesz control over higher education and culture – are discussed. All of the sections conclude with a brief analysis of the issues which may come to the fore in 2021.

The views expressed in this publication are not necessarily those of the Friedrich-Ebert-Stiftung.

1 The Hungarian government in 2020

1.1 | The Hungarian government and the first wave of Covid-19

After months of uncertainty, Hungary's governing party Fidesz emerged unscathed from the first wave of the corona pandemic during the summer of 2020. Though the crisis did not boost Fidesz's popularity as much as that of some other governing parties across the globe (partly because Fidesz appears to be close to its ceiling in terms of its support), at some points it did experience a spike in its already high support. More importantly for the governing party's long-term assessment, its management of the first wave of the crisis did not strike most of the public as incompetent.

Overall, the coronavirus had a light impact on Hungary during the first wave

In and of itself Fidesz's situation is not at all unusual, since the "rally around the flag" effect has turned out to be the tide that lifts all boats, as most governments experienced a (most likely temporary) boost in their popularity. Somewhat paradoxically, this applied even in cases when the respective corona figures did not suggest that the given country's pandemic management had been extraordinarily successful.

At 555 deaths in mid-June, Hungary was one of the worst-affected countries in the region. Czechia and Serbia, with both roughly the same population size as Hungary, suffered 328 and 250 fatalities, respectively, while neighbouring Slovakia, widely credited in the international media with one of the most successful pandemic responses globally during the first wave, lost a mere 28. Still, after what part of the public had come to fear in light of the global news reports, the reality in Hungary turned out to be rather mellow. That did not mean that there was nothing for the opposition to criticise, even if any accusation that Hungary was descending into chaos would have been seen as over the top. Yet the government did behave controversially at several points, but somehow it got away with it.

The early reaction of the Orbán government was that the virus was being blown out of proportion

In line with the reactions of populists around the world, from Donald Trump in the US to Jair Bolsonaro in Brazil, the early reaction of the Orbán government – and of the pro-Fidesz media empire which is a key bellwether of where the government stands on a given issue – was that the virus was being blown out of proportion, and that the efforts to stymie it should not come at a disproportionate cost to the economy. This attitude gave rise to editorials in pro-government newspapers arguing that the virus was a hoax and no worse than the seasonal flu; the widespread refusal of governing party politicians to wear masks or the argument advanced by Viktor Orbán's second-in-command, Gergely Gulyás, the minister in charge of the Prime Minister's Office, who declared at the government's press conference on the coronavirus that the virus was harmless for young and healthy people, and hence the journalists present "could relax and infect one another all they like", they would not come to harm. This cavalier attitude in the early stages of the crisis was also manifest in the initial refusal to close schools despite significant public pressure to take that step. With regard to the latter, Viktor Orbán argued that the economic costs would be too steep since it would keep parents away from work. To reduce the pressure of public opinion, he threatened to send teachers on unpaid leave if schools shut down (that threat went unrealised once schools were actually closed, however).

A watershed moment

Ultimately, the school closure issue turned out to be one of the few instances when the government had to relent to rising public pressure, which increasingly reached Orbán also through his own parliamentary group, an unheard of scenario. Thus, while on the morning of March 13 the government's official position was still that schools should remain open, by evening of the same day Orbán had shifted course and, embarrassing his allies in the media, he embraced school closure.

It was instructive to see a rare instance of how in an extreme scenario public fears and the concomitant demands can still filter through to the Prime Minister through his MPs, and it may very well have influenced his decision that the crisis is better managed without parliament, the last, albeit feeble, domestic check on his otherwise unlimited power. It may seem somewhat paradoxical then for the National Assembly to voluntarily cede its powers in this situation, but it makes sense. The Fidesz faction is generally completely subservient to Orbán, they would never risk defying him over such a cardinal issue as emergency powers, since to do so would immediately end the career of the MPs involved; it would also ruin them in their social circles, while at the same time it would send the ruling party into disarray at a critical juncture.

Truth as crime

One of the most controversial aspects of the Covid-19 emergency legislation adopted concerned the amendment of the Criminal Code. This was ostensibly meant to rein in fake news and to allow the government from limiting their impact by imprisoning those who sow panic.

Yet, in reality the vaguely worded clause about spreading "actual facts in a distorted manner" suggests that the government wishes to silence any type of criticism. If journalists find that the data provided by the government about the progression of the coronavirus in Hungary is false or misleading, or that the government's management of the crisis is deficient, then reporting about it may well lead the government to conclude that this causes panic and "impedes the effectiveness of the protection efforts". Whether the accurate information in this case was then presented in a "distorted" manner is subject to interpretation, and the police and the prosecutor's office will definitely share the government's own interpretation, which should be enough to keep the journalist locked up in pretrial detention for a long time. And whether there will be an independent court to acquit someone under these circumstances remains to be seen.

The threatening amendment suggested early in the pandemic that the government takes a more pronounced interest in – or has a greater confidence in – controlling the narrative and public information about the management of the coronavirus than in the containment efforts themselves.

An overreaction

At the same time, even though the virus spread less dynamically than in western Europe, the Hungarian government ordered 60% of Hungarian hospital capacities, some 40,000 beds, to be emptied to brace for corona patients, with the result that an unknown (the government refused to divulge that data) but significant number of patients in need of hospital care were sent home, where they did not have professional care at their disposal. In this dramatic scope, the move was unwarranted, since even Italy, with its six times higher population and far higher rates of corona infections never needed this many hospital beds at the same time for corona patients.

Furthermore, both the parliament and the government – drawing on its extraordinary emergency powers – adopted several controversial policies in the fog of the corona's impact on the public agenda. Some of these might have generated more bad press and a more coordinated response by the opposition outside the time of a national lockdown (especially the massive cuts to many opposition-

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controlled municipalities' budgets), but although these actions were criticised, most of the opposition failed to generate a buzz around them.

So, by the time the first phase of the coronavirus came to an end, the political landscape featured a governing party which argued that Hungary had been among the least affected countries worldwide (true), that it had acted decisively in response to the crisis (largely true, though the "decisive" actions taken were often unrelated to the crisis) and that the opposition had nothing much useful to say. In fact, said Fidesz, they had even botched up their small slice of responsibility, by which the government's spokespeople meant that they were trying to pin one of the most prominent mass outbreaks in Hungary in a nursing home in Budapest on the green party mayor of that city.

No opening from the first wave for the Hungarian opposition

In fairness, even under normal conditions it would have been difficult to capitalise on the government's presumed failure in connection with the coronavirus when in effect the impact of the crisis was so limited. But the Hungarian context is clearly not normal in terms of public discourse. The ominous amendment of the Criminal Code which threatens with a prison term up to five years anyone who disseminated either falsehoods or accurate facts in a distorted context about the government's coronavirus measures was designed to have a chilling effect on public discourse in media and politics.

Judging by the debate on the critical issues of this period, this did have some success. The key problems, such as the government's initial efforts to downplay the crisis; the overemphasis in the government's communication on the few cases of Iranian students with Covid-19, even while many Hungarian patients found that they could not get tested despite their symptoms; the lack of protective equipment for medical personnel; the lack of tests and the government's long-time refusal to carry out mass tests; the inhumane impact of the eviction of non-corona patients from hospitals, etc. – these and several related issues did not get the public airing that they merited. A major part of the reason was that Fidesz controls much of the commercial media in Hungary as well as the still influential state media, and these completely froze out any issues with a potential to shine a critical light on individual aspects of the government response. Instead, they touted the PM's decisiveness, along with an emphasis on the proactive measures which the government was taking, while laying the blame for whatever corona cases they covered in detail on someone else's doorstep.

1.2 | As second wave of Covid-19 ravages Hungary, Orbán focuses on controlling the narrative

In the first half of December 2020, Hungary was among the top three countries in the European Union in terms of the fatalities per capita resulting from the second wave of the corona pandemic. In the government's eyes, however, the virus has been managed well, its spokespersons on the subject regularly exude confidence.

As ever so often, we see two conflicting narratives of what is happening in Hungary, except the impact of the underlying reality is more tragic than usual. A broad range of actors, including scientific and professional experts, NGOs, independent and pro-opposition media, as well as the opposition parties themselves criticize either certain aspects of the government's corona pandemic policy or they condemn it in its totality as an utter failure.

What the statistics says: Hungary has been heavily hit by the second wave

Let's look a bit at the numbers and what they suggest about the reality on the ground before analysing these narratives and how they play out in the political context. In December 2020, Hungary suffered over 1,000 fatalities per week, far more than most countries of a comparable size and nearly as much as Spain, which is four times larger in population, and about half the German total – except that Germany is eight times larger than Hungary. A similar ratio prevails compared to other large nations. Although Hungary's total fatality rate per million inhabitants is still not in the top tier (due to the relatively mild first wave), it is rapidly moving up the ladder. The strikingly high positive rates of Covid tests (usually between 20-30%, but occasionally even higher) suggest that testing capacities are far too limited and free testing is difficult to come by.

In the second wave of the crisis, the government reacted very late to the rising number of infections. Until early November, the government's most important measure was a renewed travel ban in late August: no foreigners were to enter Hungary and Hungarians returning from abroad were subject to quarantine, though football fans from abroad would be exempt from the ban. After more than two months of hesitation and incremental steps, a new lockdown was introduced, though still less strict than in many other severely affected countries. The government imposed a 12-5 am curfew on November 4. On November 10, the government extended the curfew to be in force between 8 pm and 5 am. The curbs include limits on public gatherings and the closure of schools, restaurants, and universities. Universities and schools above eighth grade went back to digital education. On November 11, Parliament passed a law, extending the state of emergency declared due to the pandemic for 90 days. In addition to the Western producers (AstraZeneca, Pfizer, Johnson & Johnson), the government also entered into talks with Israeli, Russian, and Chinese parties to get access to vaccines that cannot be obtained through EU ties.

The government is mostly sitting this one out

It is difficult to directly compare the responses of national governments across the globe to the corona pandemic without taking into consideration a variety of factors, including, for example, the readiness of the public health system before the crisis; the national culture and the prevailing mentality towards the public

health crisis; the availability of objective information in the national discourse; and the way the national government is organised.

What is clear, however, is that the Orbán government, which is in charge of a small, highly centralised country and is equipped with a two-thirds supermajority in parliament and extreme emergency powers, was one of the best situated in international comparison to respond forcefully to a pandemic. Its conspicuous failure to do so is not merely a public policy disaster; it is a premeditated decision to prioritise the economy over the goal of mitigating the impact of the coronavirus.

Economy first

If one wants to piece together the government's strategy towards the pandemic and distil it to its essence, then it would sound as follows: You must pretend to care about the coronavirus, but in the end the focus must be on making sure that the economy keeps humming on (see more details about the Hungarian economy in 2020 in Chapter 4). In other words, even as Orbán acknowledged the crisis and emphasised that he regards it as a priority, in the second wave of the crisis he was effectively very similar in his passivity to Donald Trump, with the key difference that the latter mostly failed to even feign that he cared.

One tragic aspect of the coronavirus pandemic is that even at its most extreme, the virus affects relatively few people very harshly. The economic downturn, on the other hand, causes widespread and persistent pain across large swathes of society, and when push comes to shove – risking their lives and those of others by showing up to work – most people will choose subsistence over safety, not to mention the safety of others who are perishing now by the thousands in Hungary. Another problematic assumption posited by those who anticipated a more humane response by the Fidesz government in the second wave of the crisis was that ultimately a virus let loose – more or less – would be so devastating that it would "force" a tougher lockdown with more severe economic consequences. That is to some extent true – and may yet happen – but it is not quite as straightforward that more fatalities automatically lead to more public pressure to impose tougher measures.

A good move badly done

In the fall, once the pandemic hit in the actual harshness that Hungary had managed to avoid in the spring, the government did react to one of the most vital crises in Hungarian healthcare today, the lack of pay in the public healthcare system (still a vastly dominant slice of Hungarian healthcare), which has already led to chronic understaffing with thousands of doctors moving abroad while others have partially or completely transitioned to the private sector.

The government responded to the threat of another mass exodus of doctors amidst the pandemic by promising to radically increase state-employed physicians' salaries by the spring of next year. This promise, a reaction to a problem that should have been addressed a long time ago, was quickly enshrined into law, clearly without much thought to the details. The result was that rather than making doctors happy, all the attached requirement and fuzziness as to whom the increased salaries would apply and under what conditions lead to protests and resentment – among doctors as well as nurses, the latter of whom are even more underpaid and did not receive a commensurate raise.

It's all about the narrative and power

But it appears that Fidesz has not been seriously interested in stemming the spread of the virus anyway, it is mainly interested in making its narrative the hegemonic one in public discourse. According to this narrative, the government is manning the barricades and whatever happens despite its earnest efforts has been preordained by fate. Up to this point, it is important to acknowledge that despite the horrific statistics there is no major public resentment about

the government's crisis management. Fidesz's polling figures have dipped slightly, but at this point less so than they did at their respective low points in previous terms, from whence the ruling party managed impressive comebacks.

Fidesz also aims to divert the attention from the real problems (the health, economic and social aspects of the crisis) and put identity politics to the top of the political agenda. In December, during the most difficult weeks of the Covid-19 crisis, the Fidesz parliamentary majority adopted several pieces of anti-LGBT legislation, including an amendment that enshrines the traditional notion of „gender" in the country's Constitution and another law that de facto prohibits adoption for same-sex couples. The text defines sex as only that of birth and adds: „Education is provided in accordance with the values based on the constitutional identity and Christian culture" of the country. These modifications followed a similar move from the first wave of the crisis: it is already legally prohibited to register a sex change in civil status in Hungary as of May 2020.

It has become a commonplace in the last few years that the Fidesz government never misses an opportunity to change the political playing field in its own favour. The developments of 2020 proved that Orbán is using the virus as a cover to pass measures to cement his power, institutionalize the funneling of public funds to allies and limit the chances of the opposition in the next election. A prime example is the attack on opposition-run municipalities, which includes cutting back the tax income of local governments and a ban on any local tax raises in 2021, among many others (see details in Chapter 2). The lawmakers of Fidesz also included a new definition of public funds into the Constitution, which reduces transparency and ensures that Fidesz would remain in control of certain institutions and state resources even if it lost the next elections (see details in Chapter 5). Even during the Covid-19 crisis, Fidesz spends a significant amount of its energy to make sure that the opposition will be in an even more difficult position to compete in 2022, and even if Fidesz loses, it can keep control of many key institutions and financial resources after the next elections.

A tolerant public

The situation is fundamentally that despite the awful Covid figures, the Hungarian public does not seem highly agitated about the crisis. Although the number of those who are infected, hospitalised and deceased due to the coronavirus is significantly higher than it was in the spring, one would not sense this from walking in the streets of Budapest, which are far busier than they were at the peak of the far less pronounced spring wave. We can only hypothesise at this point as to what's fuelling the relative lack of excitement in the Hungarian public, but it may be a combination of factors. A major one is the preponderance in the media of the government's own views, which suggest that difficult as the situation may be, Hungary is doing okay and Fidesz is handling the crisis well. Despite the rapid spread of the pandemic and its staggering death toll, many do not see a reason to panic or to react intensely. The Hungarian prime minister mimics empathy and takes seemingly drastic measures that have a very limited impact on the trajectory of the pandemic, as the figures clearly illustrate.

Even at its peak, coronavirus is a low priority issue in the media

The media plays along in this charade as the pro-Fidesz outlets mostly ignore the massive corona pandemic and even the independent and opposition media do not harp intensely on the issue. Politics du jour has continued to dominate the media coverage, from the changes to the electoral law over the governments' homophobic rhetoric and legislation all the way to Orbán's veto threat of the EU's budget and corona recovery package. While these have been indeed critical issues in their own right, it is not quite obvious that they should crowd out the coverage of the corona pandemic to the massive extent that they do.

In the absence of information that clearly shows otherwise, many of those who are not predisposed enough against the government to actively seek out critical reporting on the issue are likely to decide

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that Covid is bad, we knew that it would be bad from the start and there was nothing much to be done about that; people are dying everywhere. If this understanding of the pandemic and its containment or lack thereof continues to prevail in Hungary, then Orbán can sit out the crisis while praying that the economy will take a less drastic hit than in countries that might have flattened the curve more successfully but did so at the price of more stringent lockdowns that impeded economic performance. By now, it is clear that the protracted crisis as a consequence of the second wave of the pandemic is the real test of Fidesz's economic and social crisis management. From the perspective of the 2022 elections, the crucial issue is whether the Fidesz government can maintain the belief that it can manage the economy even in persistently difficult economic circumstances.

1.3 | A decade in power: how do Hungarians see the 10 years of Orbán government?

A decade in power is no mean feat for any politician. In the case of Viktor Orbán it is all the more remarkable when considering that he has only two contemporaries among the leaders of European member states who have achieved the same feat: Angela Merkel in Germany and Mark Rutte in the Netherlands. To understand why Orbán remains one of the most popular politicians in Hungary, and despite facing a united opposition Fidesz remain favourites for the 2022 election, we need to delve into the views of voters regarding the last 10 years of Fidesz rule. As a joint research by the Friedrich-Ebert-Stiftung and Policy Solutions („Orbán10") has shown, there are a number of policies adopted by the Hungarian government which are strongly popular with voters, but there are also aspects of the previous decade that voters – both pro- and anti-Fidesz alike – express disenchantment with.

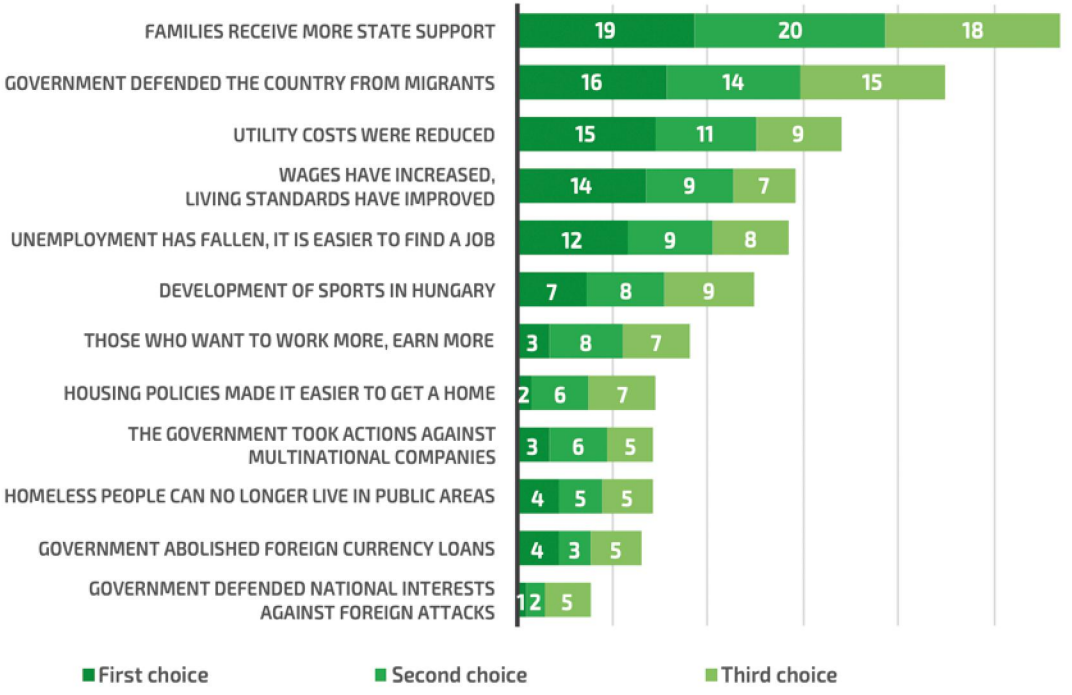
The most popular measures of the Orbán government since 2010: family policies, migration, utility cost reduction

When voters are asked to name the most important achievement of the Orbán administration over the last decade, a clear majority (57%) opted for the increased state subsidies for families that have been implemented in that time (Graph 1). Not only does the Orbán government's family policy have widespread support, it is also particularly popular with undecided voters, two-thirds of whom name it as one of the strongest achievements of the past decade. It is also more popular in villages and smaller settlements than in cities, suggesting that it plays particularly well with the Fidesz base. Moreover, the areas of public policy which are perceived to have improved over the last decade by the greatest number of voters all relate to the economy (family policy, state of the Hungarian economy generally, living standards).

The anti-migration measures enacted over the previous decade are identified by 45% of voters as the most important achievement of the current regime. Although in absolute terms they are seen as lesser achievement than the family policy adopted by the government, the anti-migration measures are seen as the crowning achievement of the Orbán era by Fidesz supporters (56%). While the aforementioned measures have not proved as popular with opposition supporters, they are still identified as a key achievement by a large proportion of that group – even with 31% of left-liberal DK supporters, the least likely voters to support such policies.

It is the third most important achievement of the Orbán premiership (as identified by voters) that most unites both supporters and opponents of the government: the reduction of utility costs. 35% of voters identified the reduction of utility costs as one of the most important achievements of the previous decade, with very similar figures for both Fidesz voters and opposition voters. Where a difference could be observed regarding the popularity of the policy was in the views of those with contrasting levels of education. Graduates were the least likely to identify it (28%), and those with the lowest level of education (40%) the most likely to do so – suggesting a policy most popular with more disadvantaged voters.

Graph 1. The most popular policies of the Orbán government, 2010-2020



Source: FES-Policy Solutions (2020): Orbán 10.

Note: Original question: In your opinion, in which three areas has Hungary made the most progress in the last 10 years?

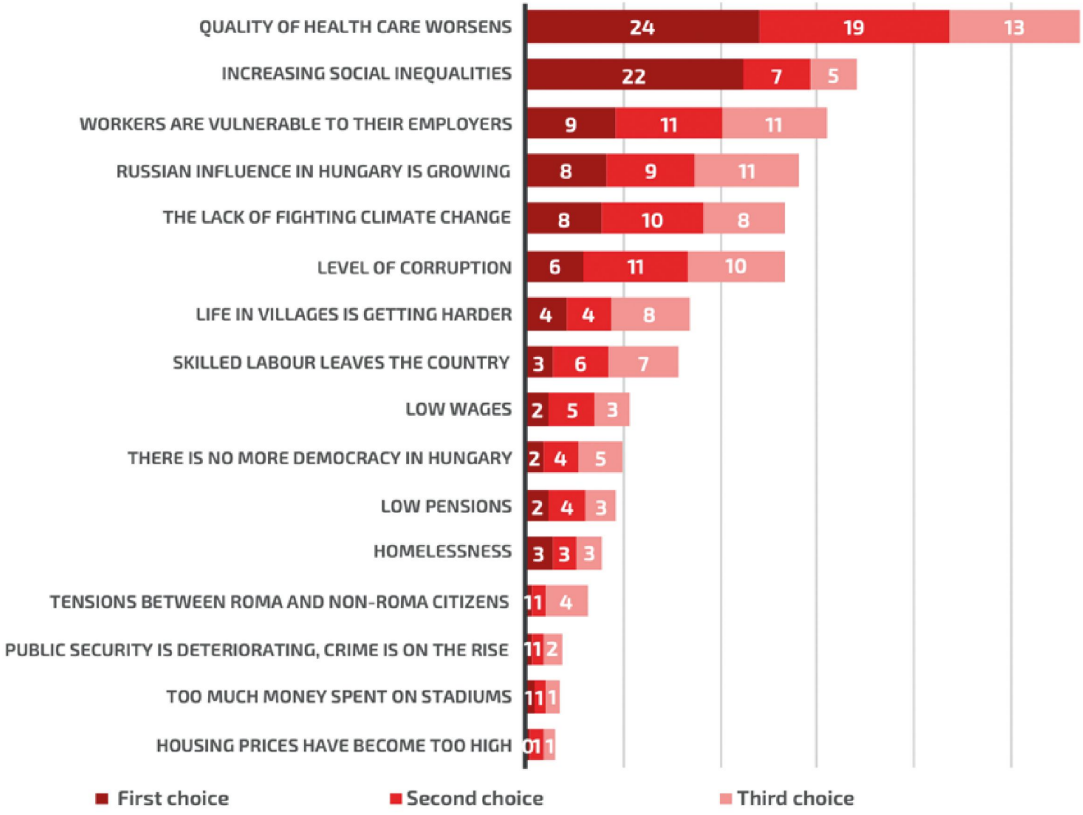
The greatest public policy failures of the last 10 years: healthcare, social inequalities, vulnerability of employees

Of course, for every aspect of the previous decade where the Hungarian government has been seen to succeed there are also those areas in which voters perceive them to have failed. Once again, it is important to note that while partisan alignment has an effect, it does not blind voters to the realities of their situation. While opposition supporters and Fidesz supporters are critical of the government for slightly different reasons, they also share a number of the same frustrations and concerns regarding perceived failures during the past decade.

When asked to name the greatest public policy failures of the past decade, Hungarian voters overwhelmingly opted for the worsening quality of public healthcare (57% see Graph 2). In fact, almost a quarter of those surveyed listed it as the most critical failure of Orbán's tenure in office, with Socialist (MSZP) voters (75%), liberal Momentum voters and undecided voters (both 63%) the most likely to identify it as a major issue. However, even 46% of Fidesz voters were critical of the government's record on healthcare, suggesting that it is an issue that cuts across party lines.

A similar trend can be observed with the second most mentioned failure of the Orbán government during their decade in power – the

Graph 1. The biggest public policy failures of the Orbán government, 2010-2020



Source: FES-Policy Solutions (2020): Orbán 10.

Note: Original question: Which three of these do you consider to be the biggest problems of the last 10 years in Hungary?

failure to tackle ever increasing social inequalities. 34% of those surveyed listed increasing inequality as one of the greatest problems to emerge during the last ten years in Hungary, a proportion that was relatively similar regardless of partisan alignment. Where a cleavage does emerge when discussing concerns about increasing inequality is once again based on levels of education: 41% of those with only primary education identified it as a major concern, compared to only 28% of graduates, suggesting it is an issue that is having a noticeable impact on the lives of disadvantage citizens.

Unlike when discussing the successes of Orbán's decade in power, there is no clear third most mentioned failure of his regime during that period. The vulnerability of employees (31%), growing Russian influence (28%), poor climate policy and the level of corruption (both 27%) all are highlighted, but often by particular sections of society. Opposition voters tended to express the most concern about the vulnerability of employees (although 25% of Fidesz voters also highlighted this issue), and this trend was also noticeable when concerns were raised about Russian influence: 40% of opposition voters highlighted it as an issue, compared to only half as many Fidesz voters.

Three main findings can be drawn concerning the characteristics of different social groups:

1. The youngest (under-30) generation is the most critical about the performance of the Fidesz government, while the oldest age group (over 60) rates the results of Viktor Orbán's last ten years the most positively.

2. Higher educated citizens typically view domestic political and social trends more negatively.

3. People living in rural Hungary are somewhat more satisfied with the ten years of the Fidesz government than people living in cities.

The social reality behind macroeconomic successes

Despite the Orbán government frequently claiming economic success based upon macroeconomic indicators, the reality for Hungarian households is felt to be very different. 38% of those surveyed believe that their family's financial situation has worsened in the past decade, as opposed to 26% who believe that it has improved. Once again, this divide is more pronounced across party lines: 50% of Fidesz voters feel they are better off than in 2010, compared to 11-14% of voters for the opposition parties, while 64% of DK voters and 50% of Momentum voters feel they are worse off, compared to only 14% of Fidesz supporters.

The perceptions Hungarian voters hold regarding their own economic situations are best understood against the backdrop of an overwhelming belief that Fidesz favours the rich. Two-thirds of respondents agreed with the aforementioned statement, with only 28% disagreeing. Taken in combination with the responses of Fidesz voters, this suggests that this is an accepted fact yet not significant enough to swing voters away from backing the governing party.

Similarly, a majority of voters (53%) believe that not only has the government favoured the rich over the past decade, but that the majority of Hungarians are worse off than they were in 2010. However 42% of respondents believed that the majority of Hungarians were better off than ten years ago, a greater proportion than those who reported an improvement in their own economic situation. This suggests that for many there is a belief that the economy is working to benefit people other than themselves, which is in line with the findings that most voters believe the rich have been favoured by Fidesz during their spell in power.

Confidence in democracy and rule of law is low in Hungary

Given the trends observed over the past decade, it is unsurprising that confidence in democracy and the rule of law in Hungary was low even before the Fidesz government's response to the Coronavirus pandemic. Half of those surveyed believe that the state of democracy has deteriorated in Hungary over the past decade, compared to 17% who see it has having improved and 27% who believe there is no noticeable difference. There are almost two completely balanced camps in response to the question of whether Hungary remains a democracy: 48% say there is still democracy in Hungary, compared to 47% who say it is no longer a proper democracy.

Overall, after a decade in power Viktor Orbán and his government retain a relatively high degree of popularity with their own supporters, although political polarisation seems to have intensified in that timeframe. While the government can point to their successes in certain policy areas, such as family support, their record on healthcare and tackling inequality leaves them vulnerable to criticism – even from their own supporters. With the effects of the Coronavirus pandemic likely to be keenly felt for the foreseeable future, one has to question whether those Fidesz supporters already critical of the government's record are likely to become even more so, and if they will consider supporting the opposition instead. If so, 2021 could see the policy failures of the Orbán regime become increasingly politically salient, at the expense of the successes of the past decade.

1.4 | Outlook on the Hungarian government's prospects in 2021

The fundamentals for the Orbán government are still solid going into 2021. Although Fidesz has dropped a few points in the polls during the second wave of the Covid-19 crisis (starting from a very high level), it remains by far the strongest party. However, given that in all likelihood Fidesz will have to face a close race against a united opposition in 2022, further electoral law amendments are likely before the next elections, similar to the ones adopted in 2020, which drastically limit the public funding for the opposition by forcing it to field a joint list if it wants to nominate only one opposition candidate in each winnable single-member district. A failure to achieve the latter would virtually guarantee a Fidesz victory in 2022. Fidesz has never played softball with its two-thirds majority, but over the years it has shed the few remaining layers of inhibitions it had harboured with respect to changing rules willy-nilly. The governing majority can be expected to do whatever it deems necessary to make sure that the opposition will be in an extremely difficult and unfair position to compete in 2022.

Governance is always a predominantly party political issue under Fidesz, but classic policy decision-making will take even more of a backseat in 2021. With the 2022 campaign looming large, the government will devote all its attention to safeguarding its power and subordinate policy decisions even more than usual to boosting its position in that campaign. This will likely include plans for increased spending in the budget for 2022, in ways that will seek to directly sway the electorate.

At least for the first few months – and potentially longer – the Covid pandemic will continue to remain relevant in 2021. The most likely scenario involves actions that are sufficient to suggest that the government cares without costing a lot of money or political capital among those who think the corona issue is overblown and who care more about keeping the economic consequences in check. Although in a more sophisticated manner than Trump or Bolsonaro, Orbán has essentially embraced the "economy first" mantra that has characterised many of the countries where the pandemic has hit especially hard, and by December 2020 the statistics reflected this, as Hungary ranked among the countries with the highest Covid-19 fatality rate.

Fidesz will likely continue its efforts at consolidating its power by expanding its control over the court system, primarily by way of trying to influence personnel decisions. The latter has the benefit of running into less resistance at the EU level than ostensibly self-serving rule changes. The latter, however, will be used with respect to the election and campaign rules, which Fidesz is already enacting unilaterally and clearly with the intention of tilting an extremely distorted playing field even further in its own favour.

To a significant extent, Fidesz's strategy and actions in 2021 will be shaped by the depth and shape of the opposition cooperation, so in anticipating the government's policies, we must take this into account. Large segments of the opposition appear to realise – with much delay – that the comprehensiveness of Fidesz regime-building is now a systemic threat that jeopardises their own chances of competing successfully in future elections. Much more so than 2018, it is dawning on the opposition side that 2022 may be the election that decides Hungary's long term trajectory. And since that recognition may be shared by Fidesz – which frames every election as the choice between the annihilation of Hungary and its only

genuine representative, namely the governing party – 2021 will play a crucial role in setting the ground for 2022 campaign. The essential point is that to have a prayer in 2022, the opposition needs an iron-clad agreement that governs its cooperation and a discipline that will make defections that could undermine cooperation in 2022 less likely.

Regardless of their individual party preferences, a vast majority of opposition voters share this expectation. The minority who would prefer to vote for their opposition party to run separately and who would harbour reservations about a joint list featuring many political figures that they view as unpalatable will be the most crucial bloc of swing voters, and thus the main targets of a Fidesz campaign. The latest change of the electoral law regarding party lists already indicates that Fidesz shares this view and it seems highly likely that Fidesz's campaign will focus intensely on persuading these voters that they cannot in good conscience vote for Gyurcsány if they are conservative, for example, or, for Jobbik if they are liberal and anti–racist. Furthermore, Fidesz's campaign might well take the form of sowing internal divisions in opposition parties.

The next may not be the year when the most crucial decision, namely the election, will take place, but it is the year when the groundwork that could potentially have the most decisive impact on that election will be laid. Fidesz, for its part, can continue to use its extraordinary legal, financial and media power to change the playing field well into 2022. As we know it from the last 10 years, the governing party never rests, so it can be expected next year to turn up the heat on its perennially humming campaigning machine and to switch into hot election campaign mode by the second half of 2021.

2 | The Hungarian opposition in 2020

2.1 | Hungarian opposition pledge anti-Orbán 2022 election pact

The most important development of 2020 on the opposition side of Hungarian politics has been the decision that Hungary's opposition parties will present a united front at the 2022 election in an attempt to defeat Viktor Orbán's all-conquering Fidesz. The other major factor that may have a serious impact on the possibilities of the opposition is Fidesz's strategy to make it impossible for opposition politicians in municipalities to deliver on their promise to show that "politics can be different" – or basically on any other promise made. These are two key issues that this chapter will investigate in detail.

A united opposition will challenge Fidesz in 2022

In August, the six major opposition parties – including the left-liberal Democratic Coalition (DK), the Socialist Party (MSZP), the liberal Momentum, the green-left Dialogue, the green LMP and the former radical right Jobbik – said in a joint statement that they had heard the voice of the electorate and have started consultations on preparations for the 2022 parliamentary elections. The presidents of the opposition parties have agreed to nominate only one candidate in each of the 106 individual constituencies. According to Hungarian electoral law, 106 of the 199 MPs are elected directly, while 93 are delegated from party lists. It is the individual constituencies that have been key to Fidesz's landslide victories since 2010.

Three months later, Hungary's opposition parties promised to name a joint candidate for prime minister by 23 October 2021. The parties said they were preparing to replace the Fidesz-led government and usher in the "start of a new era" in 2022. Moreover, on 20 December, the opposition parties also agreed to run on a joint list in the 2022 general elections. The party leaders approved a document entitled Guarantees of a Change of Era, containing conditions for establishing the joint list. According to this, opposition parties will only allow people as their candidates who undergo a screening process jointly organized by them, sign a declaration of loyalty, and a statement of values describing the principles of joint governance. The parties of the joint list also strongly reject the support of candidates whose comments have violated human dignity, fraternised with Fidesz, or were involved in crimes of corruption or other illegal activities.

They added that their joint election manifesto would lay down the fundamental principles that will serve as a compass for the cooperation between the democratic parties. In 2021, the consultations between the parties will also involve professional and civil organisations as well as trade unions. Drafting a joint manifesto also means that if the opposition parties do manage to defeat Fidesz in 2022, they would govern together on the basis of a previously agreed programme and principles. The parties said they would work out the details later – this will be indeed one of the major tasks of the first half of 2021.

It was high time to join forces

What must be underlined is that it was high time that the opposition parties declared their intention to join forces, as this was actually long expected by the voting public. This decision of the six parties is widely considered an important and reassuring message to those voters who are dissatisfied with the current regime.

In previous years, it was clear that the awkward dynamics of press

conferences where each opposition party featured a spokesperson to comment on the issue at hand did not project the professionalism that would alleviate voters' doubts about the competence of the motley opposition. Instead, in anticipation of the ongoing campaign for 2022, the way forward is clearly to explore forms of institutionalising and professionalising the cooperation between the opposition parties, while staking out the possibilities of a joint platform. In a somewhat simplified manner, three of the key sources of Fidesz's enduring success are its projection of competence, its unity/cohesiveness, and its ability to operate in a permanent campaign mode. If it wants to succeed, the opposition will have to adapt to these and emulate them whenever possible.

Critics had continuously warned that a united opposition could not work because many voters would not cross party lines to support the candidates of more controversial formations. Yet the local elections results of October 2019 clearly dispelled this notion; there was no suggestion in any major region that cooperation had cost the opposition seats that would have been otherwise attainable, while the number of mayoralties and municipal assemblies won, by contrast, were substantial.

The opposition has learned over the past years that divided it will fall. But the converse is not necessarily true, that is how unity is achieved and what form it takes remains supremely relevant and, if outside influences allow for a potentially competitive electoral situation in 2022, this issue will decide the election.

An unexpected by-election

The one symbolically significant electoral test of 2020 was a by-election held in the northeastern electoral district centred around the town of Tiszaújváros in Borsod-Abaúj-Zemplén County, where the incumbent, the Fidesz politician Ferenc Koncz, died in a motorcycle accident. Before 2010, the relatively poor industrial county had been a leftwing bastion, and the Socialist Party (MSZP) had carried the Tiszaújváros seat in every election since 1994, with a peak result of 56.7% in 2002. Since then, Fidesz has held the seat with a comfortable margin against a divided opposition, but the aggregated support of the opposition suggests that this might be one of the rural districts in which the ruling party might be vulnerable if the national mood were to swing a few points in the other direction. Without winning a number of such seats, the opposition does not have a prayer.

Not this time

On the whole, the outcome of the vote reflected Fidesz's persistent strength in the national polls, as Koncz's young daughter, Zsófia Koncz (who was pulled from her job at the Hungarian embassy in Washington and parachuted into her dynastic rural fiefdom), won the seat by 5 points, 51-46. The election was not only symbolically relevant, however, but also because it has helped Fidesz retain its two-thirds majority in parliament. Koncz was running against the Jobbik politician László Bíró, who had been the leading opposition candidate in the district in 2018 and was now supported by all relevant opposition parties, despite being dogged by previous racist statements attacking Jews and Roma.

The loss of the joint opposition candidate was seen as a disappointment by some observers, nevertheless, 46% is not a bad result on the whole, as it improved on Bíró's previous result by 15 points. Although he lagged somewhat behind the opposition's cumulative result in 2018, which was around 50%, Bíró also showed that the opposition could coalesce even around a fairly controversial candidate without losing much support. Looking at this from another perspective, this has implications for what the opposition could accomplish with a somewhat stronger national tailwind and a candidate less tainted by racist and divisive statements. A shift of only a few points could flip this seat, along with a fair number of others that could put a parliamentary majority within reach.

Such parliamentary seats may become reachable for the opposition if Fidesz becomes just a few points less popular. It must be added, however, that the decline in popularity must extend to the rural

areas where Fidesz tends to win the constituencies that are at the core of its parliamentary majority. Especially given the unpredictable long-term implications of the Covid pandemic, such an outcome is conceivable. However, it must be added that there is still a lot of uncertainty regarding the electoral rules. Given Fidesz's track-record of tilting the playing field to its advantage whenever necessary, it appears an unrealistic assumption that Fidesz will not change any of the electoral rules before the next elections.

A stability underneath

For many years now, sceptics of cooperation have argued that rather than all the opposition parties finding common ground and compiling a joint list from Jobbik to DK, it would be better for a new force to sweep in, to relegate all the others to the dustbin of history and to then kick Fidesz out of office with a sense of unity that such a diverse coalition can never radiate. Based on the experience of the last decade, it looks like that this strategy does not work.

It bears pointing out that while the Hungarian party system has seemingly changed a lot over the last decade, it has also remained remarkably stable, with the opposition divided between "old" parties (MSZP back then, MSZP and DK now) and some relevant "new" parties (Jobbik and LMP back then, Jobbik, Momentum, Dialogue and LMP now). The fluctuations between them notwithstanding, the basic stability of this structure suggests that ultimately the two basic building blocks of the Hungarian opposition electorate will not readily leave their parties for some new force that appeals to them both.

Where the parties stand

To some extent, left-liberal Democratic Coalition (DK) has managed to break out of its traditional mould and attracted some younger voters, too, and this development shows in its polling figures, which have been topping the opposition ranking for a while now, at around 16-18% of likely voters. While the party remains solidly anchored in the personal appeal of former PM Ferenc Gyurcsány, it is working on building a stronger party organisation, and when it comes to potential future leaders, it is his wife, MEP Klára Dobrev who is mentioned the most frequently. The old problem for DK, however, is that for a generation of voters, in particular those who came of age in the 2000s, the former PM remains an anathema. Time may have softened their opposition to Gyurcsány sufficiently to vote for a joint list on which he is running or to even vote for candidates affiliated with his party, but for that to work, he must accept a subordinated position within such a cooperation. In the past year, the former PM has exhibited a somewhat surprising willingness to tactically pull himself back into the background at pivotal moments.

The situation is different with Momentum, which remains safely established as the second strongest opposition party (with a support ranging between 9-11% of likely voters). Its ability to attract qualified young politicians is also its biggest asset going forward. Momentum has a wide variety of articulate spokespersons (MEPs Anna Donáth and Katalin Cseh appear especially a lot in the media), which leads to an interesting combination where the party's leader, András Fekete-Győr, is in a strong and for now unassailable position as the Momentum chairman, but he does not attain this by crowding out competent potential rivals. Momentum has the strongest appeal in the young and middle-aged, liberal, urban intelligentsia that defines much of the media coverage about the opposition, but at the same time, it is also true that we do not know much yet about the party's rural strength, which should be the key quality that sets any of the opposition parties apart from the rest.

After a precipitous drop in the polls, Jobbik has finally stabilised and it appears to be stagnating at a level that continues to make it a relevant player (between 8-10% of likely voters) but is a far cry from the leading role within the opposition the party occupied for years in the polls. Péter Jakab's rise as the new chair has ended the leadership vacuum that was a major source of the drain on Jobbik's public support, and his brutal purge of the party leadership has once again underlined that in Hungarian politics Viktor Orbán's logic of power is pervasive far beyond Fidesz. Still, while Jakab's charisma

and the remnants of a once impressive party organisation hold Jobbik together for now, the party's future is still in limbo. On the plus side, while former chairman Gábor Vona took years to warm to the idea of cooperating with the left – a result of his own political socialisation – Jakab has no such reservations, and under his leadership Jobbik's commitment to a coordinated opposition effort in 2022 seems more solid than ever.

Similarly to Jobbik, the Socialists (MSZP) have also stabilised their support in 2020 (they stand at 7% at the end of 2020). Apart from its elderly voter base, the major asset of MSZP to the opposition coalition remains the same: their organizational strength has weakened over the years, but is still considerable, especially compared to their rivals' in the opposition. This was clear at the local elections in 2019 as well, when the Socialists gained more mayoral seats and has now more influence in the municipal assemblies and in the town halls than one would have expected. In 2020, the Socialists amended the party's rules to introduce male and female co-chairs. Following these changes, Ágnes Kunhalmi and Bertalan Tóth were elected as co-leaders of the party. Kunhalmi (MSZP's most popular politician) used to be the head of the party's national board while Tóth had led the Socialists since 2018. The MSZP co-chairs have openly committed themselves to be the "best allies" of opposition cooperation and aim to promote social democratic policies in the joint programme of the opposition.

Along with MSZP, the only left-wing party with a parliamentary presence is Párbeszéd (Dialogue). Párbeszéd still suffers from the fact that even though several of its leading politicians are popular nationally – besides Budapest Mayor Gergely Karácsony, co-chair Tímea Szabó and former MEP Benedek Jávor should be also mentioned – the party itself simply fails to climb in the polls (it stands at 2%). However, given that Karácsony leads Hungary's capital city and is considered to have good chances at the opposition's primary for the PM candidate position, if he decides to run, Párbeszéd is likely to be an influential player within the opposition cooperation in 2021. Fidesz is fully aware of the threat that successful mayors of the opposition parties may pose to their power in 2022. This explains why the Orbán government has decided to target the opposition-run municipalities over the last year and why Budapest Mayor Karácsony is the no 1. on Fidesz's hit list.

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2.2 | The real Covid coup in Hungary: the attack on opposition-run municipalities

Under the guise of the coronavirus pandemic, the Hungarian government has been moving to reverse decree-by-decree the results of the municipal elections of autumn 2019, its first major electoral setback in nearly a decade and a half. Although Fidesz had definitely anticipated losing some major towns in October 2019, the magnitude of the opposition's victories, which unexpectedly took local control of Budapest along with a dozen or so major towns, exceeded the expectations of both the public and the pundits. Every indication was that the Fidesz leadership, too, was surprised by the scope of the opposition victories.

Ever since, the government has been trying to figure out how to remedy the loss of public trust in the given geographic areas, and even more so the concomitant loss of powers it has experienced as a result. Most conspicuously, it has worked at gradually eroding municipal powers and prerogatives. And with the coronavirus epidemic, Fidesz appears to have found the perfect framework for accelerating its efforts at reclaiming a sizeable portion of the local control it lost at the time.

Taking powers first...

The approach taken is not novel, the coronavirus and the haze offered by the crisis have only served to make the government more brazen in its implementation. Although in the immediate aftermath of the election Prime Minister Viktor Orbán pledged to respect voters' choice in selecting the green-left opposition politician Gergely Karácsony as the new mayor of Budapest, the subsequent actions taken by the government spoke a different language entirely. As so often during his terms in office, Orbán's comment that people need to watch what he does rather than what he says came to mind when comparing the government's actual measures concerning municipal autonomy with his promise to respect the decision taken by voters as to who should manage their municipal affairs.

Karácsony immediately became embroiled in conflicts with the central government as the latter massively curtailed city hall's right to appoint the directors of publicly-funded Budapest theatres, and continued with the controversial reconstruction of the Budapest City Park, which Karácsony and many Budapesters fiercely opposed. Fidesz also stripped municipalities of some of their powers in approving construction projects, which was an important signal that the government was not going to let opposition municipalities decide what could be built either by pro-government private developers as commercial projects or as part of publicly-funded construction favoured by the central government.

...and money next

Funding, too, quickly entered the picture as a major source of tension and a less conspicuous mechanism to squeeze the local governments. For many large municipalities, a local tax paid by companies registered in the given municipality is a key source of discretionary income. A legal amendment adopted by the government after the municipal election mandated that municipalities would have to use the revenue raised from this tax "primarily" for funding local public transportation. While in many cases this was already in line with the prevailing practice, the move nevertheless implied a reduction in the local government's discretionary powers, putting them into a position where they act more like the administrators of the policy

priorities set by the government while curbing their role as the actual arbiters of local policy and fiscal preferences.

Thus, the direction in which the government was going in dealing with the political setback was already clear before the coronavirus struck. It sought to divest municipal governments of some key powers while reducing their financial room of manoeuvre to implement their preferred projects. And with less money and fewer powers to implement their often ambitious platforms, municipal leaders will have to face voters in 2024 (and their opposition parties at the 2022 general elections) with probably far less to show than they could have hoped based on the pre-October 2019 arrangement of powers and funds. This will especially afflict those mayors and municipal assemblies aligned with the opposition, since Fidesz-led cities could at least benefit from central government projects as well as the government's efforts to steer major private investors in their direction. Ultimately, the process overall will lead to the gradual erosion of the vertical separation of powers, just as we have seen Fidesz effectively neutralise the national institutions that are meant to serve as the horizontal checks on executive power. Without changing the general approach, the coronavirus epidemic has given this process a massive boost, accelerating the process of hollowing out municipal autonomy.

A tale of sacrifice

With the coronavirus, the next stage in the process is the government's claim that everyone needs to tighten their belts to brace for the coming economic shock. As it happens, this applies especially to municipal governments, and especially to those that are controlled by the opposition. At the end of March, the government used the impossibility of public protests due to the epidemic to push through drastic changes concerning control over the Budapest theatres (the previous changes in this area had resulted in massive demonstrations). In a departure from the previous practice, with respect to the Budapest theatres that are funded entirely by the state, the latter would wield exclusive control over the management. This has forced the city to cough up more money to keep some key theatres free from Fidesz's heavy-handed and politized approach to cultural institutions. The new amendment adopted during the corona crisis now has forced the mayor's office to completely cede its co-decision influence over the appointment of the managers of theatres which it can no longer support financially.

At the same time, the government moved to strip a variety of opposition-led municipal governments of millions of euros in previously allocated project-related funding and moving the money to the coronavirus emergency fund instead. Budapest, in particular, has also suffered from the government's decision to make parking free during the emergency. Parking is a key source of income for municipalities and the government was very fond of it as long as the Fidesz controlled city hall allowed its oligarchs to reap much of the financial profits.

In the meanwhile, all municipal governments are affected by the Fidesz government's decision to redirect the revenue collected from the automobile tax towards the central budget. In one of the most devastating and most conspicuously political blows to municipal autonomy thus far, the government invoked the national emergency in stripping the municipal government of Göd in Pest County of its control over the locally operating Samsung factory – including the power to collect local taxes from Samsung – and then handed the concomitant authority and money to the Fidesz-controlled Pest County assembly. There was not much of a pretence to dress this up as anything but what it was, a dictatorial move to disempower a local government elected by the voters.

The financial situation of Budapest is particularly disastrous. Mayor Gergely Karácsony called the 2021 budget of the Budapest municipality the "budget of survival". Speaking at a meeting of the Hungarian Association of Local Governments in December 2020, Karácsony said Budapest's plummeting revenues were due to the coronavirus pandemic, the economic crisis and government policy in equal measure. It illustrates well the problems of Budapest that

the 2021 budget has less funds at its disposal than in 2013, and Budapest will become a net contributor to the central budget in 2021. Karácsony claimed that in order to survive 2021, Budapest will have to use nearly all its savings. Budapest will not be able to provide public services in 2022, "unless the government's approach, or the government itself, changes," Karácsony said.

Sacrifice only for some

Yet, for all of the government's protestations of mutual sacrifice, it was hard not to notice how public funds were amply available in non-essential areas where they either served the further enrichment of the oligarchy or Orbán's pet issues. Even as it cut public funding for political parties (also in the name of corona-related austerity), Fidesz successfully pushed through a pay increase for Members of Parliament by 10%, while state secretaries (junior ministers) saw a massive 35% hike in their salaries even as the government preached austerity everywhere and cut many worthy municipal projects. A wide array of shady real estate deals benefitting the oligarchy and government-friendly institutions were also greenlit. In the meanwhile Orbán's personal hobby, the vastly overfunded professional sports scene did not experience much of the tightening of the proverbial belt. Looking at specific outlays, the economics news portal MFOR concluded that even "during the [corona] emergency, this strategic sector continues to be treated as a priority area by the government", with the pace of recent spending for competitive sports-related projects totalling 200 million HUF a day on average.

Many of the actions taken thus far – i.e. the targeted defunding of opposition-held municipalities; the encroachment on the municipal governments' already limited powers, and the overall goal of rendering them administratively and politically impotent by a variety of means – would be clearly outrageous in the context of a democracy. The fact that it has failed to spark outrage in Hungary is a further testament to the perception of Freedom House that Hungary is no longer a democracy but a hybrid regime. A political community (including the extended European community) that has remained largely passive when the vaunted institutions of horizontal institutions of checks and balances, such as the Constitutional Court or the ordinary court system, are being hollowed out, is unlikely to rise to the challenge when the vertical separation of powers – which is generally regarded as less important – is under attack. The European Union, too, has accepted that it cannot be more than a spectator in this process. Amidst all the fears about the coronavirus pandemic, such moves easily pass under the radar of both the Hungarian public and the international community.

After all, municipal governments are democratically legitimated and constitutionally protected institutions. They are now nevertheless being arbitrarily deprived of their funds and powers by the governing majority for ostensible political reasons. Any democracy and any system with a rule of law – be it domestic or European – would clearly mobilise against such transgressions of democratic and European norms.

A vital chance for the opposition to display government competence is weakened

Opposition politicians had sought to secure the long-term loyalty of voters by using their control over municipal resources to offer local services that residents would appreciate and become accustomed to, along with new levels of spending transparency never experienced under Fidesz. Now the feasibility of these projects is very much in doubt. And mainly not on account of the undeniable hardships wrought by the corona-crisis, but mostly due to the deliberate efforts by the powerful Fidesz-run central government to thwart the opposition-led municipalities at every turn.

Even without the coronavirus, the small but palpable steps taken by Orbán to strip them of funding and powers clearly undermined their efforts, and over the span of five years these carefully crafted piecemeal efforts at debilitating these opposition municipalities are going to add up to a powerful whole. Now this process has become accelerated due to the government's sweeping measures taken

with reference to the "corona emergency", which leaves many municipalities in a situation where they are extremely unlikely to be able to deliver much to their voters for the remainder of their term.

This seems like another successful and cynical move for Fidesz because it has obviously failed to trigger massive resistance on the part of either the public or the EU, while at the same time it has undermined the most potent tool in the hands of the opposition to dispel public doubts about its competence. For example, the highly popular opposition-run local administrations in the towns of Szeged and Budapest's 13th districts have shown that within the given municipalities, the successful municipal policies substantially boosted the local public's preference for opposition parties even outside the context of municipal elections. Thus, Szeged transitioned from a swing district where Fidesz was competitive into a strong bastion for the opposition even as many former left wing bastions fell to Fidesz, while in the 13th district, always a left-liberal stronghold, the opposition managed to expand its already overwhelming lead.

"It seems that the Hungarian government aims to create a situation in which the cities that are run by opposition politicians can still function, but the hands of the new mayors are so tied that they are unable to fulfil their electoral promises" – we wrote a year ago in our previous yearbook about Hungarian politics. Unfortunately, the developments of 2020 fully confirmed our earlier assessment.

The loss of genuine manoeuvring room to invest in their municipalities or to enact major policies will leave opposition politicians with a massive dilemma. There is a chance that they will simply not be allowed to succeed. This raises the question of how to use their term of office most effectively in light of the government's vast powers to undermine their municipal efforts. Budapest mayor Gergely Karácsony had mused earlier about potentially being forced to conduct himself as more of an opposition politician than the steward of the city if he were forced into such a position, and it may be time to flesh out such strategies in opposition-controlled municipalities across Hungary. What is clear is that the opposition cannot tolerate the hollowing out of its municipal positions without making a massive effort to counter it. And if they will not be allowed to work as committed city leaders, then the non-Fidesz mayors must act as opposition politicians who try to at least stand up for the principle of municipal autonomy as it is being destroyed by Fidesz.

2.3 | Outlook on the Hungarian opposition in 2021

Significantly strengthened by its determination to approach the 2022 elections as a joint coalition, the Hungarian opposition may find that the second wave of the Covid crisis has created a certain window of opportunity to become the credible challenger of the governing Fidesz party. Although the government gained public support after the pandemic reached the country, it was followed by some loss of popularity for Fidesz during the second wave of the virus. The public health emergency, the pandemic-caused economic and social crisis placed the government in a difficult situation: at the end of 2020 the "united opposition" was narrowly ahead of the governing party in the polls.

The opposition parties declared that they will coordinate during the 2022 elections, draft a joint program and nominate a common prime minister candidate. There were public debates about the details of the opposition coordination and whether running together or forming two or three separate lists would be more favourable for the opposition. However, the government's amendment of the electoral law left no other rational option for the opposition than forming a joint list. The new legislation increased the minimum number of local candidates from 27 to 71 for parties or party-alliances forming electoral lists, while there are 106 voting districts in the country.

By the autumn of 2021, the opposition will need to come up with a detailed framework (with concrete names) in which its disparate parties agree on how they will take on Fidesz. To a large extent, they must bargain and come to an arrangement even as they will be left in ongoing uncertainty as to what legal rules will apply to their cooperation. To reach a lasting concord, they will have to assume the worst in terms of the changes that Fidesz will implement to make any agreement untenable. Thus, for example, there is the above mentioned push to force the opposition parties to combine their lists, which has some benefits, but also comes with a massive price tag, political and financial, that is the public campaign funds for a single list are a lot less than for several competing lists, and unlike Fidesz, the opposition depends to a much greater extent on public funds. Based on the experiences of the last few years, there is no doubt that the Fidesz-controlled oversight authorities will mercilessly crack down on any signs that the opposition spends more on the campaign than the official allotment.

2021 will be the year of opposition primary elections in Hungary. The unique institution of multi-party primaries was introduced in Budapest before the 2019 municipal elections. Gergely Karácsony was elected to be the opposition's mayoral candidate for the capital city during the primaries, and his victory against István Tarlós, Fidesz party's incumbent candidate gave legitimacy to the primary, as the democratic mechanism of opposition coordination. Although no official agreement has been reached so far, opposition parties showed willingness to participate in a country-wide primary election process. The joint prime minister candidate will be most likely chosen this way, and numerous constituencies are expected to be distributed between opposition parties by district-level primaries as well.

On one hand, the organization of the opposition primary election carries logistical challenges, financial burdens and potential source of conflicts within the opposition camp. The smoothness of organization will depend on whether parties will be willing to finance the primaries, mobilize their activists, cooperate with each other and non-partisan NGOs. On the other hand, it is an exceptional opportunity, since the

opposition will be able to set the political agenda of Hungary during the campaign period of the primaries. If heavy negative campaigning were to be avoided, the primary season can even help the clarification of the opposition's shared values and their joint electoral program. A successful primary election process could result in that the opposition finds the least dividing and most respected candidates and gains democratic legitimacy for its unified platform.

2020 also showed that Jobbik, a former far-right party ended its consolidation process and successfully integrated into the opposition camp. Left-wing and centrist parties supported Jobbik's candidate in a rural constituency's interim parliamentary election in October 2020. Although the opposition failed to win the constituency, the election showed that door-to-door campaign is essential to reach people in villages and Jobbik's strong activist network in the countryside is still an important asset for the whole opposition. The party, as the only significant conservative force within the opposition block, has a strategic task now to integrate many culturally right-wing but dissatisfied voters.

The fragmented nature of the opposition (six parties which are scattered on the ideological spectrum) makes it a tough challenge to write a coherent and credible program. Reaching consensus will be harder in regard to ideological topics, such as LGBTQI rights or kin-state support for native Hungarians in the neighbouring countries. However, many general issues are on the agenda of most parties, for instance environment protection and climate policy, modernization of education and health system, strengthening the social safety net and a wide-scale democratic reform. These issues could form a solid basis for the opposition's program.

Currently, one of the main concerns of undecided voters regards the opposition's ability to govern. The straightforward answer would be raising the good examples of opposition-led cities to convince undecided voters. However, these municipalities already have limited space to manoeuvre, as significant amount of money has been drained away from their budgets. The government increased the mandatory "solidarity contribution" of wealthy local governments and transferred large amount of local taxes to the central budget as part of its crisis management measures. All kinds of local tax raise were banned for 2021, though most municipalities suffer from serious tax losses due to the economic crisis. Bleeding out opposition cities, however, can easily backfire on the government, as the opposition could potentially raise awareness to these "punishment measures" and further improve their position in the cities.

3 Hungary's place in the world in 2020

3.1 | Orbán and the EU: a conflict delayed, not resolved

Viktor Orbán has made clear that he wants a "Europe of nation-states", and as he extrapolated this concept, it is little more than a glorified free trade zone in which the Western member states subsidise the Eastern states in return for access to their markets. To call this a purely pragmatic rather than an ideological view of the European Union would be an understatement to say the least. It goes further than that since the Hungarian PM's pronouncements on the subject are also regularly filled with downright hostility towards the idea of Europe. Many of his comments on the idea are suffused with the idea that there is "life outside the European Union", as he put it a long time ago.

A few decades ago the EU was being mocked for its alleged overregulation and its preoccupation with presumable arcane details. Few people would have even remotely conceived of the possibility that in the 2020s the EU member states would be haggling over compliance with the most basic standards of the rule of law and democracy rather than intimate policy details in, say, education, social policy or taxation, not to mention greater political integration and more democracy at the European level.

A most fundamental scepticism towards Europe

Orbán does not believe in Europe, he has made that abundantly clear and gradually it is dawning on those committed to the European project that this is not merely some rhetorical ploy but a genuine conviction. In his words, he feels that Hungarians are being treated similarly to what they had experienced under Soviet occupation. The inherent tension in Fidesz's relationship with the European Union, the desire for the benefits in combination with the reluctance to abide by even the most basic rules, came to a head now in the budget debate when the Hungarian and Polish governments threatened to veto the entire budget and the associated recovery package arguing that the rule-of-law mechanism attached to the them constituted an attack on their sovereignty. What was lacking was any kind of rational reasoning to explain what kind of sovereignty basic constitutional-level standards designed to prevent corruption, for example, could impinge upon. It was telling in that context that even though corruption is rampant in several countries of the region, and some regional leaders, such as for example Slovenia's Janez Jansa, openly sympathise with the Hungarian government's policies, none of them found the rules proposed problematic enough to join the Hungarian-Polish duo in their veto threat.

Ultimately, the massive crisis that would have erupted if these governments had stuck with their veto was averted with a last minute compromise. According to the agreement, the rules impugned by the Hungarian and Polish government will enter into effect exactly as proposed but they will be complemented with guidelines which to guarantee that their application would be both well delayed (beyond the critical 2022 election, a key point for the Hungarian government) and fairly limited to extreme circumstances.

Looking back at the last few years of Hungary-EU relationship, it seems that the escalation of the conflict between the two sides is not a mere coincidence, but rather a calculated strategy on behalf of the Hungarian PM. This strategy has brought him and Fidesz unprecedented influence and attention at the European level, allows him to drive a certain nationalist agenda at home, whilst failing to do harm to the EU transfers (apparently the most important aspect of

EU membership for Fidesz), so far. It appears that Orbán has been constantly testing his possibilities in the Council to drive his agenda and increase his political weight. He is also increasingly willing to threaten with vetoing otherwise unanimous EU positions. However, this is a dangerous game and has set him once again on the path of isolation in mainstream political circles from which he successfully rebounded just a few years ago.

So who's the winner?

There is now an intense debate raging in the EU whether this was a humiliation for the Hungarian and Polish governments or for the EU. Most of the debate centres on the question of whether the political statement attached to the rule-of-law mechanism will be binding or not. What is interesting in this debate is not so much the substance – since most of it is still speculative – but the curious fault lines that divide the debate participants. Fidesz politicians argue that the political statement which they were promised will impose stringent and highly limiting conditions on the application of the rule-of-law mechanism, and that these will be binding, which they believe implies that the Hungarian PM carried the day. Opposition politicians say the political statement will be nothing but a guideline and will be largely meaningless in practice, and that Fidesz is just trying to save face with their declarations of victory. At the same time, the media and intellectuals in the opposition are heavily divided over the impact of the deal, with some endorsing the Fidesz perspective – except they are disappointed in the EU – that the mechanism, which was weak to begin with, has now been watered down sufficiently to be effectively meaningless.

The fact is, we will not know who is right for a while until we see how the rule of law mechanism works in practice. What the parties essentially agreed to was to settle the underlying issues at a later time, which was kind of a convenient solution for both parties. The EU needed the new budget and the recovery package badly, and the Hungarian and Polish governments did not really want to be left out of the funds, so the haziness of the current solution, which allowed both sides to claim a victory, was the easiest way out of the quandary.

A problem delayed

Yet while this particular iceberg has been avoided, the relationship between the EU and the Orbán government is irredeemably broken. The EU leaders have a fundamentally different vision of the continent's future – one which moves towards increased integration – than the Hungarian PM and they also have a different understanding of democracy – that is as a system in which governments change. Viktor Orbán quite openly disdains greater integration and does not really believe that there is a need for governments to change. "The homeland cannot be in opposition", he says, and he also believes that the actual opposition in Hungary does not represent the homeland, the Hungarian nation, that it serves foreign interests.

It is thus Fidesz's patriotic duty to keep this opposition out of power, and many of the most controversial policies revolve around their anti-democratic interpretation of this "duty". Since Viktor Orbán plans to stay in power for a very long time while the EU cannot neither imagine nor afford to stand still for such a long time, the conflict that the parties have now bracketed for the time being may continue to haunt their relationship. It will eventually return, maybe in forms that are not as dramatic or even portentous as the veto over the budget, but they will recur. Veto threats by the Hungarian government are no longer a rarity in any case. In fact, one would guess that cautious EU policy-makers who do not want to face regular debacles in the Council factor this in already at the time when they are drafting policies.

This means that the EU will have to make a choice between a two-tier EU, where the engaged nations will delve into further integration while Orbán's Hungary and some other governments sympathetic to the nation-state concept will stay out. The EU can of course hope that it can continue to negotiate deftly to remedy differences of views like it did successfully in the context of the recovery package in 2020, but that model is not sustainable if further integration is the goal. Practically such an approach will work only if the EU accepts both, Hungary's drift into authoritarianism and the fact that further integration will just have to wait Orbán out.

A cultural chasm

That the rift between Fidesz and the EU runs even deeper than the rule-of-law mechanism or other policy issues is also apparent at the level of political culture. Fidesz politicians and leading media figures in Hungary are well-known for extremist rhetoric; these days, they often voice hateful comments – including, for example, gay-bashing – that would have caused a stir a decade ago but no longer even register. Fidesz has acculturated Hungarian public discourse to rhetorical extremism, which occasionally translates into policy extremism, as we have witnessed in the context of the Hungarian refugee policy and the most recent legislation targeted at the LGBTQI community. Hungary is distinctly moving against the grain of European trends in the latter respect especially.

Two recent scandals have demonstrated the depth of the cultural estrangement. The Fidesz-founder and long-term leader of the Hungarian delegation in the EPP, József Szájer, who is said to have authored the new Hungarian constitution (including its anti-gay pronouncements) on his iPad, was arrested after he tried to flee a gay orgy by climbing down a drainpipe, carrying a backpack with drugs in it. This lead to his immediate resignation and withdrawal from politics, even though his most egregious transgression at the time was breaking the coronavirus rules on large assemblies. In Europe in 2020, participating in perfectly legal gay sexual activities should not in and of itself be grounds of such massive humiliation. But Hungary, where homosexuals are now the targets of hostile government communication, is different in this respect, also thanks to the climate created by Szájer himself.

The envisioned trajectories do not intersect

The cultural differences between Fidesz and European conservatives also came to a head when Tamás Deutsch, another Fidesz founder and veteran in the EP as well as a foul-mouthed frat boy, accused EPP group leader Manfred Weber of Gestapo-like thinking. His outrageous remark led to an initiative to exclude him personally from

the EPP (which has led to Deutsch's suspension), even while Fidesz's own status as an EPP member party still hangs in the balance as the conservative party is trying to figure out what do to with the Hungarian EP delegation.

Given the obvious ideological, rhetorical and other incompatibilities between them, even Fidesz has apparently determined that staying in the EPP is no longer a realistic scenario. Thus, in essence it is fleeing forward by suggesting that rather than being part of the same parliamentary group, Fidesz should enter into a cooperation agreement with the EPP. That proposal would pre-empt a decision expelling Fidesz, which the EPP has been unable to take thus far. If accepted, it could also put an end to the mutually embarrassing suspension that the EPP seems reluctant to change in either direction.

But no matter how these conflicts play out over the years, the broader issue is that the EU has no strategic plan for reining in Fidesz and moving forward with the integration project. The European Union may have saved the budget and the recovery package by concluding a deal with Fidesz and the Polish government in December 2020, but it cannot hope to continue to operate as a functioning political project by continuously deferring decisions on thorny issues.

3.2 | With Biden's victory, the new winds look slightly less favourable for Orbán

Viktor Orbán said it best: he had no Plan B for the US election. The chief irony of the situation is that when it comes to publicly taking sides in a US presidential election, as Orbán did in publicly declaring for Trump, there is no need for either a Plan A or a Plan B. If there is any politician out there who ought to have an appreciation of the idea that sovereign states have no business meddling in the sovereign decisions of other states, it should be Viktor Orbán, who relentlessly bemoans the alleged meddling of foreigners in Hungarian affairs. The idea that any foreign government has a right to tell Hungarians who they should vote for is naturally an anathema to the Hungarian PM. He and his allies have portrayed all controversies surrounding the government's policies as part of a conspiracy to subject Hungary to foreign control, and they have cast themselves as the ultimate representatives of the right of Hungarians to live free of outside domination.

Losing is never an option

When the risky aspect of his endorsement was pointed out to him – namely that Joe Biden might win and potentially remember who was against him from the start – Orbán said he had no Plan B and added that he had spent his entire adult life in politics without a Plan B. While that is technically speaking unlikely to be true, it meshes with the Hungarian PM's views about politics in general, which is based on a Darwinian model of destroy or be destroyed. While the potential of losing and spending time in opposition is part and parcel of the democratic experience, for Orbán electoral defeat is synonymous with total destruction by a merciless enemy; obviously, there can be no Plan B that allows for such an outcome.

While the upside of having Trump in office and – no matter how dimly – cognizant of the Hungarian PM's support was huge, the downside of having Biden come into office even more miffed at the Hungarian government than he was anyway was relatively small. The Obama administration and its emissaries, the best approximation of what Fidesz can anticipate now, had failed to substantially impede their authoritarian project before 2016. While the United States is powerful, it neither has a track record of outsize influence on the region nor does it hold much in terms of leverage.

That Joe Biden has no sympathy for the Hungarian PM is no secret, although it might have been a little surprising in Hungarian governmental circles just how acutely aware Biden is of Viktor Orbán's undemocratic abuses. Attacking Trump and his international buddies in the Central Eastern European region in the same breath, candidate Biden said at a televised townhall meeting that "you see what's happening in everything from Belarus to Poland to Hungary and the rise of totalitarian regimes in the world and this president embraces all the thugs in the world." Someone who views Orbán as a "thug" right at the start is not going to think much worse of him for backing Trump in the elections. Biden's harsh words mirror earlier comments by Barack Obama while in office, and also by former President Bill Clinton in commenting on current affairs a few years ago, to mention just the two most prominent representatives of the Democratic Party.

It is safe to assume, moreover, that the information that these politicians based their criticisms of the Fidesz government on reflects not only the views of the Democratic Party's foreign policy establishment, but also the take of the traditional State Department

foreign policy-makers. In fact, it meshes even with the perceptions of large segments of the traditional, pre-Trump conservative establishment, which used to be deeply sceptical of Vladimir Putin in particular, and by extension also of Putin's international vassals. The exasperation of the latter group over Trump's foreign policy shone through especially during the impeachment proceedings against the President and in the revolt of the conservative foreign policy hawks, some of whom were core members of the NeverTrump movement.

Somewhat disconcertingly for Fidesz, one of the few areas in which Joe Biden might make a bipartisan mark could be a foreign policy that is far tougher on Vladimir Putin; there remain conservatives who would find little to object in such a reorientation of US foreign policy; indeed, they might see it as a relief of sorts.

Years of luck run out

In foreign policy terms, and especially with respect to the US-Russia-China triangle, it is difficult to overestimate just how lucky the Fidesz government has gotten over the past few years. With regard to foreign powers, Orbán's most important goal is to nurture tactical ties with partners who do not care about democracy and the rule of law, and whose strategic and financial interests align with the Prime Minister's circles. Since 2016, Hungary has been enjoying a unique constellation in which all three of the single most influential global powers fit that bill.

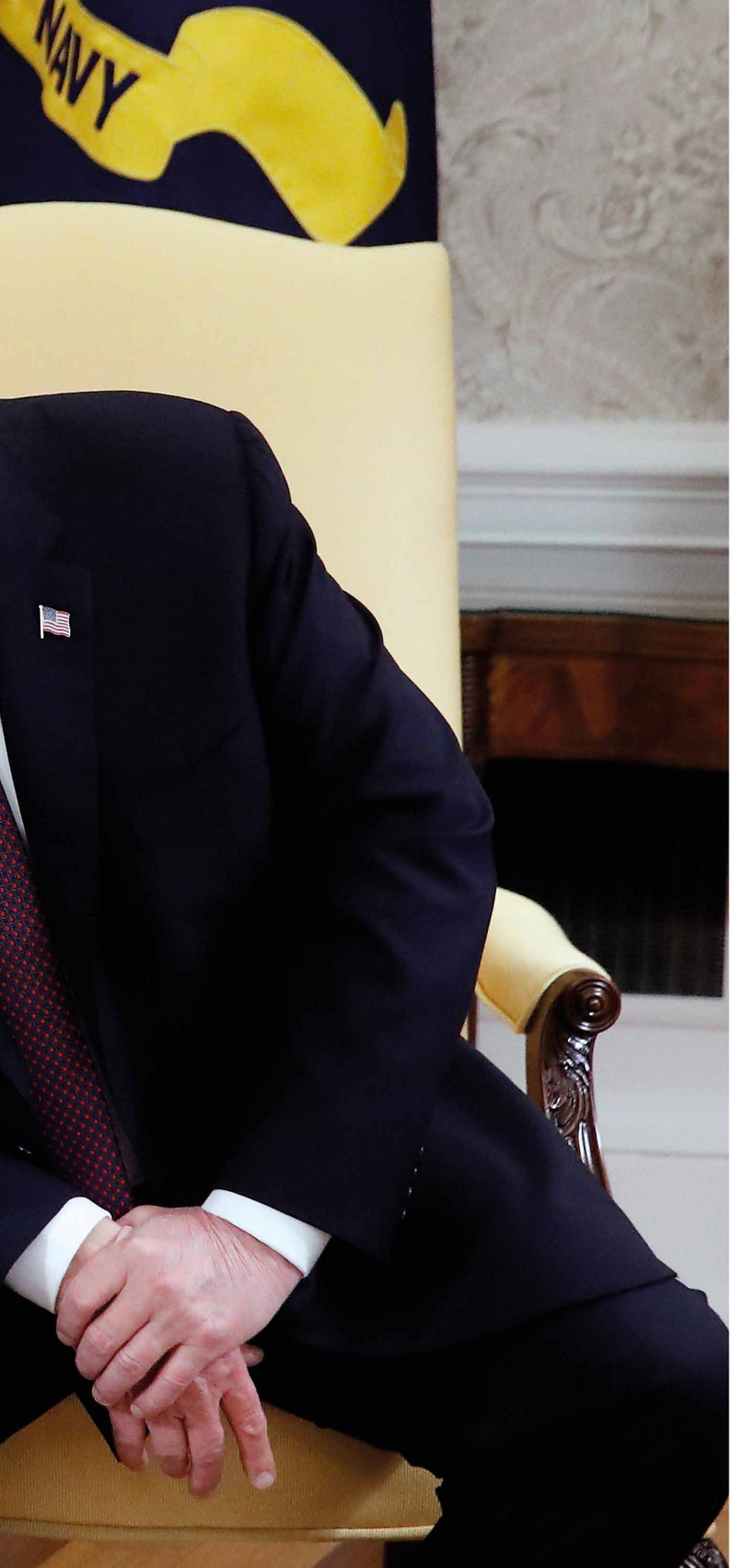
Orbán has been friends with Putin for many years now – despite criticising the Russian leader fiercely while in opposition during the first decade of the 2000s – and a close alignment with Putin's global interests has been the linchpin of the Hungarian leader's foreign policy. In the years before Trump, this placed him squarely at odds with the US administration, which was wary of Russia's often aggressive global strategy, including hybrid warfare in the Central and Eastern European region, traditional warfare in Syria, and a variety of hostile intelligence operations (including the murder of Russian dissidents) conducted in NATO countries.

A most convenient president

Under the Trump presidency, the US pressure on the Hungarian government dissipated, as Trump was neither interested in standing up for democracy nor in forcing Orbán to choose sides between NATO and Putin. In fact, while the Hungarian PM did not make it into Trump's "casting central" orbit – the big macho leaders worldwide with whom Trump held high-level meetings – he did manage to wrangle a brief and friendly meeting with the US president, which is more than the leaders of small countries with minor international clout tend to receive. It is clear that under a Biden presidency, a meeting is not in the cards by a long shot; if Orbán receives any public acknowledgment at all, being called out in public by the US president is much more likely to be the future trajectory of Hungarian-American relations.

The Trump years were thus a massive reprieve for the Fidesz government, and the main reason was Donald Trump's unique – for lack of a better word – relationship with the Russian president. If anything, Trump's embrace of Vladimir Putin seemed at times even warmer than that of Viktor Orbán, generally seen as Putin's most loyal asset outside the post-Soviet Commonwealth of Independent States.

And even as the tensions between the United States and the People's Republic of China (PRC) increased during the Trump presidency, the Hungarian government had no problem flying under Trump's radar in also fostering friendlier ties with the PRC. This marked a low priority rapprochement for the latter and culminated in China serving as a creditor in a massive deal to build a new railway between Budapest and Belgrade. The nature of the Chinese interest in this project is murky, with the most likely explanation being that China builds soft power and creates personal financial connections to corrupt leaders who benefit personally but also become vulnerable to Chinese influence in the process. Another important detail in the ties to China were the so-called settlement bonds, the possibility for non-EU foreigners to buy Hungarian state bonds in return for a residency permit, which allowed the newly-



minted residents to move about in the EU. Wealthy Chinese and Russian individuals availed themselves of the opportunity in great numbers – and it is fair to speculate that a lot of these individuals have ties to their home country governments.

Buying political support by buying arms?

Arms deals are a traditional way of alliance-building and of buying political support. Therefore, it should be interpreted in this context that US Ambassador David Cornstein joined Minister of Defense Tibor Benkő in August 2020 in announcing Hungary's declaration of intent to conclude its largest-ever defense procurement from the United States, an action which will overhaul and modernize Hungary's air defense capabilities and allow it to transition away from its current legacy Soviet system. With this move, Hungary has committed to working with the United States through the Foreign Military Sales program to procure Advanced Medium-Range Air-to-Air Missiles produced by US company Raytheon Technologies. The purchase amounts to an approximate one billion dollar investment. This procurement further deepens the security cooperation between the two countries, as this deal follows up the Defense Cooperation Agreement (DCA), completed in 2019. Several experts have argued that it was the military cooperation and the new arms deals that provided the Hungarian PM the invitation to the White House last year.

The importance of military cooperation should not be underestimated when it comes to the relationship between the German and the Hungarian governments either. In 2019, German arms exports rose 65% compared to 2018 and hit a record of €7.95 billion, according to German Economy Ministry figures. To the surprise of many observers, the largest number of German weapons deliveries in 2019 went to Hungary, where exports reached €1.77 billion. For this amount, Hungary receives 44 Leopard tanks and 16 self-propelled howitzer 2000s (Panzerhaubitze). Critics of Fidesz are less than thrilled about this new close German-Hungarian cooperation on military matters. They have been suspicious for years that Chancellor

Angela Merkel's tolerant attitude towards the Hungarian PM has a great deal to do with the generous treatment of German businesses by the Orbán government.

The Biden impact is likely to be delayed

The impact of new American administrations on relationships with foreign countries takes a while, especially when it comes to minor players such as Hungary. The confirmation of new ambassadors by the Senate tends to be a lengthy process because a huge number of other high-level officials come first, whose quick entry into service is deemed more essential for the administration to operate. It would not be surprising for a new ambassador to arrive as much as a year later. Ordinarily, this is not a major problem. The State Department has a huge and qualified staff in Budapest, and a policy line to follow even in the absence of a new ambassador. However, it is not clear how quickly State will revert back to "normal" foreign policy operations in the post-Trump area. And without an ambassador, the Embassy's clout will be diminished.

What complicates the picture further is that on account of his age Biden will be extremely unlikely to run for re-election in 2024. Furthermore, given the unexpectedly strong showing of Donald Trump and the Republican Party in 2020 (including upset gains in the House and very limited losses thus far in the Senate) and the tradition of the White House party losing seats in the mid-term election, it is a distinct possibility that Joe Biden will be a lame duck by 2022, and unless Kamala Harris or someone else is established as the sole and unchallenged mantle-bearer of the Democratic Party in 2024, the next election will not feature an incumbent advantage, which will mean that 2024 is likely to be more heavily contested than an ordinary re-election campaign would be.

But even in a scenario where US foreign policy pivots back to its more traditional course, its instruments for pressuring the Hungarian government are limited. Hungary has no strategic defence needs from the United States and in terms of economic pressure, the US wields no major influence on the region. Thus, Viktor Orbán's relationship to the Russian leader will continue to be the most dominant determinant of Hungarian foreign policy.

A quiet year between Orbán and Putin

Nevertheless, 2020 was an unusual year for the lack of personal consultations between Putin and Orbán. This may owe to rumours that despite the official nonchalance of the Russian authorities concerning the Covid pandemic, the Russian leader himself is extremely wary of an infection. The Hungarian side is far less so, and Foreign Minister Szijjártó, who recently came down with the virus himself, and his team recently brought the virus along on their visit to Cambodia, leading to a number of infections and a huge wave of testing among all those who came into contact with the Hungarian delegation. But to some extent the strong ties between the two governments are now consolidated enough that they can function on autopilot. Russian interests on the ground in Hungary, such as the substantially expanded embassy, including its allegedly extensive intelligence operations, the International Investment Bank and a host of official and private interests with ties to the Russian regime operate freely in Hungary, like they do at home. The lack of a summit meeting or a major publicly announced breakthrough in 2020 is not in itself noteworthy, especially in the absence of any signs of changes in the two governments' relationship.

In the meanwhile, in line with established practice, the Hungarian government has steadfastly hindered concerted European action in the context of the public protests against the electoral fraud by President Alexander Lukashenko in Belarus. This is to some extent a logical extension of Viktor Orbán's own belief that electoral fraud is not something that the EU ought to dabble in. But at the same time it is also a reflection of Putin's interest in remaining the sole arbiter of whether Lukashenko – who has drawn his ire recently by trying to follow a more independent course from Moscow – will be allowed to continue on or to choose who succeed the embattled Belarusian dictator. The Fidesz government has nothing but deference to the

idea that Belarus is fundamentally Russia's backyard and as such Vladimir Putin wields the manorial rights there, just as in Ukraine and the other countries of the region.

The election of Joe Biden in the United States marks the end of the unique period when administrations supporting the Hungarian government have been in power in all three of these three major countries. But the favourable attitude towards Fidesz in Russian and Chinese government circles remains unaltered, and the election of a Democratic president who is critical of the current Hungarian regime is neither a decisive blow nor will it necessarily herald a lasting change. For the time being, Viktor Orbán's Plan A continues to work in the international arena, even if the new winds look slightly less favourable now.

3.3 | Outlook on Hungary's place in the world 2021

Just in the nick of time, the Orbán government has avoided the most massive foreign policy crisis since it came to power in 2010. Had a veto of the EU's 2021-2027 budget not been averted, the outlook for Hungary's place in the world for 2021 would have looked very different indeed. We have warned for years that although it has proven remarkably durable, there is a fundamental tension in the Hungarian government's policies that cannot be sustained forever. The long-term policy of building an authoritarian regime in Hungary and pursuing a foreign policy that seeks to align Hungary with the international goals and ambitions of Russian president Vladimir Putin cannot be reconciled in the long run with Hungary remaining formally enmeshed in the western alliance system and the European Union, reaping both the security and economic benefits of these structures. At one point, these differences will no longer be mainly ideational but they will run counter to concrete material interests where the inherent tension between the two antagonistic positions will reach a boiling point.

The clash over the rule-of-law mechanism tied to the EU's disbursement of funds and the Hungarian government's veto threat against the EU budget and corona recovery package almost emerged as the breaking point in these relations. Had the parties failed to hammer out a last minute compromise, Hungary would have found itself in a whole new international environment, where the fellow EU members would have treated the nation as the disloyal and unreliable partner that Viktor Orbán personally actually is. For the first time since taking power in 2010, since Fidesz began to disassemble the rule of law in Hungary, the Hungarian government would have faced serious blowback, primarily in the form of massive EU subsidies that would not have reached Hungary.

This scenario has been averted and pragmatic considerations have won out on both sides. The EU has kicked the core problem, that of the rule of law and democracy in Hungary and Poland, a few years down the road. We stand by our assessment that a showdown – or more realistically, a series of major conflicts – between the Fidesz government and the EU is inevitable. Now it seems that 2021 will be yet another year when this is not likely to happen.

Viktor Orbán may be pragmatic enough that he does not want trouble with Hungary's international partners for its own sake. But at the same time, he is dogmatic enough in the pursuit of his goals that ultimately he will not let either the European Union or the Biden Administration in the United States stand in the way of realising these goals. In essence, then, in terms of foreign policy we can expect 2021 to look much like 2020, in that the Fidesz government will continue to court authoritarian regimes, especially but not only Russia and China, and lambast western powers in Hungarian public discourse, all the while it strives pragmatically to keep the funds flowing from Brussels.

At the same time, it is important to keep two things in mind. First, with all of Orbán's residual pragmatism, which was apparent once again in his last minute abandonment of the veto, on the whole his aggressiveness and hostility towards the European Union have increased over time, and at this point there is no reason to assume that his increasingly overt slide away from Europe and towards a loose international populist alliance will cease. While the Hungarian PM is unpredictable in his twists and turns, that kind of return to normalcy does not seem to be in the cards; he is more blatant in his provocations of the European Union and as long as he can keep the money flowing – and now he can at least until the next election – this approach will not hurt him with his base, in fact it seems to be a plus in the eyes of many who like the idea of their "King David" standing up to a "Goliath".

Second, although the election of Joe Biden and the prospective departure of Donald Trump may weaken his position somewhat, on the whole his international standing has mostly improved in the last years as other populist leaders have risen to the top around the world and especially in the Central and Eastern European region. Viktor Orbán may be one of the pioneers of the right-wing populist wave, but he is also one of the main profiteers of the chaos that fellow populists wreak in other countries and, potentially, at the level of the EU as well. As the example of Poland shows, the EU's problem with Viktor Orbán and his attack on democracy and the rule of law, his turn against European common policy and integration, is now inseparable from the broader trends towards right-wing populism. The two challenges – that of Orbán's anti-democratic version of populist politics and the resurgent populism in Europe – must be addressed simultaneously if the EU wants to guard itself against the systemic risk stemming from the spread of populist politics.

4 | Hungary's economy in 2020

4.1 | Overview of the Hungarian economy

Before Covid-19: Hungary's economy reached a plateau

The world economy has been on a growth trajectory in the second half of the 2010s, and Europe's Eastern semi-periphery has benefited from this upswing. Hungary's economy grew by 2.5% annually on average between 2010 and 2018, which is higher than that of most Western countries, but not as high as Poland's (3.6%) or Slovakia's growth rate (3.1%). After a record-high growth rate of 5.4% in 2018, real GDP rose by 4.6% in 2019, according to the European Commission (see Table 1). Last years' economic forecasts predicted a 2.8% growth for 2020.

This economic dynamism spilled over to the labor market. In 2019, the employment rate reached an all-time-high since 1990, 70.1%, while unemployment fell to 3.4% in the same year. The number of employees increased by 720,000 from 3.72 million in the fourth quarter of 2009 to 4.44 million in the fourth quarter of 2019. The public works program ("közmunka"), which makes unemployment and health care benefits conditional on participating in public work, played a significant role in this expansion in the first few years, although the number of public workers declined during the economic boom of the 2017-19 period. The 2010s also saw very significant outmigration. The estimated number of people working abroad was 600,000 in 2017, at least half of whom are likely to have left Hungary after 2010.

Table 1. Key indicators of the Hungarian economy (2017-2022)

Indicators	2017	2018	2019	2020	2021	2022
GDP growth (%)	4.3	5.4	4.6	-6.4	4.0	4.5
Gross fixed capital formation	19.7	16.4	12.2	-10.4	4.1	6.9
Private Consumption	5.0	5.1	4.5	- 3.1	4.4	4.8
Export	6.5	5.0	5.8	- 8.5	8.3	7.9
Import	8.5	7.0	7.5	-5.3	6.7	7.7
Inflation (%)	2.4	2.9	3.4	3.4	3.3	3.0
Unemployment (%)	4.2	3.7	3.4	4.4	4.4	3.9
Public budget balance (% of GDP)	-2.4	-2.1	-2.1	-8.4	-5.4	-4.3
Gross public debt (% of GDP)	72.2	69.1	65.4	78.0	77.9	77.2

Source: European Commission Economic Forecast Autumn 2020

The workfare state – efficient in disciplining but suppressing productivity growth

In addition to the favorable macro-economic environment and emigration, years of punitive social policies also played an important role in employment growth. In line with the ideology of the workfare state, the government penalizes 'idleness' to an unprecedented degree. The retirement age gradually increased while the government eliminated early retirement and significantly cut back on disability benefits. The government also cut the duration of unemployment to three months, reduced social benefits, cut sick pay by half, and decreased the public works salary.

Collective bargaining (though not very strong before 2010) has also been undermined. The 2012 new labor code significantly reduced trade unions' rights, made it harder to strike, and improved employers' bargaining position. The government amended the labor code again in December 2018 upon corporations' request, significantly increasing the maximum amount of overtime. These reforms of the labor market's supply-side increased precarious employment and might depress productivity growth in the long run because they force jobseekers to accept jobs below their skill level and allow companies to increase their profit rate by squeezing labor without improving productivity.

During the 2017-2019 economic boom, the increasing labor shortage improved workers' bargaining position, which led to significant wage growth. Although government propaganda does not miss an opportunity to highlight this wage growth, Hungary's performance is the worst compared to the neighboring OECD countries. The real wage in 2019 was only 11% higher than in 2008, the last year before the financial crisis hit. Simultaneously, the real wage increased by 34% in Poland, by 25% in the Czech Republic, and by 24% in Slovakia between 2008-2019; all other Visegrád countries experienced a higher gross real wage growth. The 2008 financial crisis significantly depressed the real wage in Hungary, but it grew again in 2009 and 2010. After Viktor Orbán took power, the government embarked on a massive trajectory of internal devaluation, depressing real wage growth until 2016. After six lost years, the average real wage grew significantly in the 2017-2019 period, but this growth was nowhere near enough to make up the lag accumulated during the previous six years.

The problem with official statistics

Remarkably, international data based on the national accounts show a much slower real-wage growth than the Hungarian Central Statistical Office's labor force survey. However, the latter tends to dominate the news because it is updated every month. In contrast to the 11% measured by the OECD, the Statistical Office reported a whopping 44% real wage increase between 2008-2019. Hungarian Central Statistical Office labor force statistics represent organizations employing more than five people. The small- and micro-enterprises left out of the sample typically pay lower salaries than larger ones. OECD data are based on GDP data as a ratio of the total wage bill to the number of employees. The difference between the two measurements is enormous, allowing the government to paint a much rosier picture than the reality.

The past few years also saw the return of moderate inflation. The consumer price index grew by 2.4% in 2017, then by 2.9% in 2018, and 3.4% in 2019. Despite the pandemic, inflation is projected to be around 3.4% in 2020 also. The Hungarian economy is open; therefore, import prices play a crucial role in domestic price formation. Higher oil prices were crucial for the increase in 2018. Although external inflation pressures eased in 2019, the inflation rate grew due to the central bank's loose monetary policy. The depreciating exchange rate was the most important factor behind the increase in domestic prices in 2019. The Hungarian Forint was already depreciating against the Euro in 2018; this depreciation increased significantly in 2019.

The pandemic has hit an economy on an already downward trajectory

The year 2020 was all about COVID-19. The economy began contracting in March and continued throughout the second quarter

of 2020. Real GDP fell by 13.6% year-on-year in the second quarter of 2020, the highest recorded recession since the Second World War. According to current estimates, the GDP will contract by 6.4 in 2020 compared to the previous year. The decline in export and gross fixed capital formation is the most crucial factor behind declining economic activity.

The most severely hit sectors of the economy were cyclical industries, such as the automotive and related manufacturing export sectors, and tourism and air transport. Inflation peaked at 4.7% in January 2020 but has eased during 2020, as the recession is set to reduce inflation. However, in July 2020, inflation was still 4%, the highest in the EU. Food prices increased even more significantly, by 7.9% in July, but the price of some food products grew by 20%. The value of the Hungarian currency reached historic lows during the first wave of the pandemic in early April, then again during the second wave at the end of October.

Hungary's economy began to bounce back in Summer 2020. The reinvigorated activity of international supply chains drew the economy out of the sharp recession. Industrial production and retail were only down by 2.1% and 1.2% year-on-year in August 2020. Employment also recovered; the year-on-year decrease was 0.4% in August. However, the second wave of the pandemic unfolding in the last quarter of the year will again stall the recovery. Signaling the adverse consequences of the second wave, household confidence has decreased in Autumn 2020.

After years of liberalizing measures under Orbán's government, the Hungarian labor market is quite flexible in terms of employment protection. Consequently, unemployment rose sharply during the pandemic-induced downturn, reaching 4.4% in 2020 on average. According to the OECD, the unemployment rate reached 4.9% in June 2020, up from 3.4% in December 2019. According to the Hungarian Statistical Office, the number of employees declined by 35,500 between the third quarter of 2019 and the third quarter of 2020. In September 2020 the number of employed declined by 32,000 in a month. The government prefers the public works program instead of direct financial assistance to the unemployed, but there is only limited demand. Although the number of public workers increased by 8,000 in the first two months of the summer, their total number was still 16,000 lower in the third quarter of 2020 than in the third quarter of 2019. The government's economic interventions, the liquidity support to companies, the freeze on mortgage payments, and the temporary job protection measures provided only limited protection.

Fiscal measures' overall effect is low in international comparison

The government budget balance was already showing signs of worsening before the pandemic. The structural balance (-3.8% in 2019) significantly deviated from the Medium-Term Objective set by the European Council (a structural deficit of 1.5% of GDP). As a consequence, Hungary has been under Significant Deviation Procedure since June 2018. However, overall, the Orbán government followed a strictly conservative fiscal policy and maintained a low deficit, which led to a significant reduction in the debt to GDP ratio, decreasing from 72.9% in 2017 to 66.3% in 2019.

According to the current forecasts, the pandemic will also negatively affect the central budget, with the general government deficit expected to rise to 8.5% of GDP in 2020. This is a significant increase from last years' 2.1% deficit, driven by declining revenues — indirect tax receipts and social security contributions, including a two-percentage-points cut to employers' social contributions — and the increased pandemic-related expenditures. However, the fiscal measures' overall effect is moderate in international comparison. The European Commission estimates a net budgetary impact of 3% of GDP for 2020.

Changing forms of external dependence

Between 1990 and 2010, Hungary spearheaded the competition for foreign capital in Europe. Nevertheless, in hindsight, the misgovernance

of Hungary's global integration resulted in the economy's bifurcation: transnational corporations have been generating the bulk of export revenue since the 1990s, while domestic companies lack access to such markets. This economic disintegration also whipped up economic nationalism among Hungarian businesses. They started to support Orbán in the run-up to the 2010 election in return for state protection. And Orbán delivered, intervening in the economy to accelerate domestic capital accumulation, via measures such as nationalizations, selective regulations, increased subsidies, government contracts, reduced taxes, and more flexible labor relations. At the same time, Orbán's post-2010 government also welcomes transnational corporations in the productive export sectors and adheres to global financial markets' logic by keeping the budget deficit low.

Hungary remains a globally firmly integrated economy that is dependent on external resources. Trade openness remains high at around 92% in 2019, with Austria, Germany, Slovakia, and Poland as the most important trading partners. However, the nature of this external dependence has changed in recent years. In 2009, FDI accounted for 76% of the GDP; by 2018, it dropped to 57%, according to UNCTAD data. FDI has been stagnating throughout the region, but Hungary shows a marked decline. FDI inflow as a percentage of GDP dropped from 4.55% on average in the 2000-2009 period to 2.12% in the 2010-2019 period in Hungary. However, foreign capital stock remains outstanding in international comparison. The value added of foreign enterprises in the entire business economy remained unchanged since 2009, around 50% in 2019.

In parallel to the declining share of FDI, the role of EU transfers has increased; thus, the country's economy increasingly depends on EU funds. Public investment and domestic private investment took over much of the role of foreign investment. European subsidies represent a significant part of the country's Gross National Income, hovering around 4-5% in the last five years (see Table 2). EU funds made up 43% of public investments on average in the 2004-2010 period (this grew recently to around 50%). According to a recent report of the European Commission, between 2004 and 2020, the European structural and investment funds financed investments in the value of 55.2 billion euros in Hungary.

EU funds have recently emerged as a central point of debate between the EU and Hungary. The European Commission and the European Parliament proposed to make the payment of funds conditional on compliance with the rule of law. Orbán was aware that his wiggle room would significantly shrink with this step. In response, on November 18, 2020, Viktor Orbán — together with his Polish allies — threatened to veto the EU budget and the recovery fund (worth €1.81 trillion in total), thereby jeopardizing the fight against the pandemic. Following

Table 2. EU expenditures in selected countries (% GNI)

Indicators	2015	2016	2017	2018	2019
Hungary	5.32	5.08	3.43	4.97	4.48
Bulgaria	6.38	5	3.76	3.91	3.61
Poland	3.25	2.61	2.67	3.43	3.26
Czech Republic	4.67	2.86	2.15	2.1	2.51
Slovakia	4.91	3.34	1.97	2.78	2.49
Romania	4.15	4.47	2.59	2.45	2.33

Source: European Commission

Magyarország Kormány
2021. ÉVI KÖZP
LAT MELLÉKLETEI
S INDOKOLÁS
NDOKOLÁS
ELLÉKLETEI
Előadó:
Varga Mihály
pénzügyminiszter
2020. május

weeks of uncertainty, the disagreements could only be resolved at the European Council summit on December 10, 2020.

The role of EU transfers in Hungary's economy — more than cronyism

Orbán's illiberal regime rests on bending the rule of law to finance upward redistribution. Businessmen close to the government are the biggest winners. They entered the group of top billionaires in Hungary thanks to EU-funded public procurement projects. According to investigative journalists, between 2010 and 2014, the share of EU-funded projects made up 94% of the total value of public procurement contracts signed by Elios, Orbán's son in law's company flagged by the European Anti-Fraud Office for its shady dealings. Orbán's childhood friend, Lőrinc Mészáros, by now the wealthiest person in Hungary, benefits even more from European taxpayers' money. EU funds accounted for 99% of the total public procurement contract value his flagship company won. According to the Corruption Research Center Budapest (CRCB), corruption reached the highest level in the first four months of 2020 — the highest level since 2005 — with the share of contracts without competition reaching 41%. The share of public procurements won by the top cronies has increased significantly since 2011, exceeding 25% of the total net value of tenders in the Hungarian public procurement, according to data from the CRCB.

However, public procurement not only benefits political capitalists. It serves as a tool to sustain Orbán's socio-economic model by propping up dwindling private investment and offset the reduction in foreign investment inflow. This strategy is a polarizing answer to the exhaustion of the pre-2010 neoliberal model, and as such, it is supported by a broad segment of the economic elite. After catapulting back to power in 2010, Orbán renegotiated the terms of the compromise with transnational corporations and emancipated domestic capitalists. He has shifted the focus of development policy from the wholesale competition for new foreign investment to strengthening the national bourgeoisie and selectively appeasing foreign investors in the manufacturing export sector.

The availability of EU funds to finance public investment projects has allowed the government to free up Hungarian taxpayers' money and spend it on supporting businesses (increased financial subsidies, tax reductions and exemptions, partnership agreements). The actual corporate tax paid by the 30 largest companies in Hungary on their income before taxes was 3.6% in 2017. German carmakers are among the biggest winners of these financial subsidies. Orbán does everything to keep them satisfied. Based on the subsidies in proportion to jobs, Audi, for example, has received four times as much aid from the Hungarian government as from the German state in the 2010-2014 period.

Upon her recent visit to Hungary in August 2019, Angela Merkel praised how EU funds were spent in Hungary: "If we look at Hungarian economic growth rates, we can see that this money has been well invested by the country, that it benefits the people, and Germany is happy to be able to participate in this growth by creating jobs in Hungary." Thus, it is no wonder that according to the editor of Budapester Zeitung — a leading German-language newspaper in Hungary — 90% of German investors in Hungary would vote for Orbán.

Based on this broad support Orbán receives from crucial international political and business allies, it is no surprise that so far, the EU did not find a solution to the rule of law crisis in Hungary. However, if the EU continues to fail to do so, it would be a blatant admission of financial interests' predominance over democratic values.

(Mis)Managing the Pandemic

Like most East-Central European countries, Hungary managed to avoid a mass outbreak during the pandemic's first wave. There were less than 3,000 registered coronavirus cases and less than 2,000 active infections at the end of April, the peak of the first wave in Europe. East-Central Europe is less connected to global movements (tourism, migration, businesses); therefore, the first cases appeared later, allowing time to prepare. After the first weeks of hesitation and confusion, the government's epidemic responses

to the first wave were overall adequate — though there were critical problems with regards to infections in hospitals and care homes. From May, the economy gradually reopened, and students returned to schools. However, the government did not adequately use the months after the first wave to prepare for the second wave, which hit Hungary much more severely than the first wave.

During the first wave of the pandemic, Hungary started introducing significant restrictions on March 16, 2020, with a full shelter-in-place order effective from March 27. Shops, bars, and restaurants were ordered to close after 3 pm, public gatherings were banned (except religious gatherings), and distance learning was introduced in schools. Epidemic measures also included other, less conventional, steps such as the suspension of admission of migrants from transit zones on the southern border, the expulsion of some international students, the introduction of centralized military leadership in hospitals, care homes, and companies in the food, health and pharmaceutical sectors producing basic necessities, the complete centralization of testing, and the centralization of the flow of epidemic information.

Forcing unpopular restructuring of the health sector under the pandemic cover

The measures that target the restructuring of hospitals were particularly controversial. On March 11, the government decided to freeze all non-coronavirus related admissions to hospitals and treatments except life-saving ones (¾ of hospital treatments was postponed in the only hospital that provided detailed data about the effect of this measure). According to journalists, this reduction could have allowed the government to save around 10 billion forints on hospitals amid the pandemic. On April 9, the Minister of Human Resources, i.e., the minister responsible for health, ordered publicly funded hospitals to free up 60% of hospital beds by April 19 to treat expected new coronavirus patients. Hospital directors who refused to comply fully were threatened, and two renowned hospital directors were dismissed.

Experts estimate that the reduction of hospital beds might have affected around 15,000 people who were previously being treated in hospitals and were sent home overnight without adequate home care services. A further problem with the mass reduction of beds is that hospitals face a serious shortage of medical personnel, which means that it would be impossible to utilize the newly freed-up beds in the fight against the corona-crisis, according to the Hungarian Medical Association.

A press statement by the head of the Prime Minister's Office put cuts to the hospital beds in context: "as the coronavirus crisis also highlighted, we have to rethink health finance ... it is unnecessary to maintain hospital capacities that are not justified by the number of patients." The ministry responsible for health prepared a reform proposal at the beginning of 2020 that also referred to the need to reduce hospital beds. This reform process was temporarily put on hold by the coronavirus. The health crisis represents a unique opportunity to "free up" further beds that will not be utilized even as the country slowly returns to normal functioning. Based on this statement, hospitals will likely not return to the same number of beds as before. In short, it seems likely that the government will use the crisis to implement another potentially unpopular reform that would otherwise be very difficult to push through under normal democratic circumstances.

Most aggressive crisis response comes from the Hungarian National Bank

On the front of economic policy, the most aggressive responses came from the central bank, the Hungarian National Bank. The central bank has kept a low interest rate (0.9%) throughout the past years, reduced further in June and July 2020, from 0.9% to 0.6%, then raised it back to 0.75% in September to reduce inflationary pressures. The central bank also increased the amount allocated to the new round of the Funding for Growth Scheme (FGS), introduced an unlimited collateralized lending facility, and announced a quantitative easing program, buying government bonds on the secondary market, easing the pressure on

the central budget. In November 2020, the central bank increased the amount allocated to the SME lending program to HUF 1 trillion (2.15% of GDP), and the corporate bond purchase program, reaching HUF 2 trillion (4.3% of GDP).

The budgetary responses have been so far much more limited and skewed heavily towards helping businesses. The European Commission's convergence report labeled the government's budgetary responses formulated in Spring as "muted," concluding that "fiscal policy has so far provided a limited cushion against the downturn." The government aimed to keep the budget deficit for 2020 below 2.7% — amounting to severe austerity — but was forced to accept a higher deficit later during the year. The European Commission currently predicts the deficit to reach 8.4% in 2020. A large part of the government's measures is financed from the reshuffling of existing budgetary chapters and reserves.

In April, the government announced creating two new funds, the Anti-Epidemic Protection Fund and the Economic Protection Fund, financed through new taxes and reallocations from ministries and the Employment Fund. The new measures extended the financial subsidies announced earlier targeting the most severely hit sectors, such as tourism, health, food, agriculture, construction, logistics, transport, film, and entertainment industries. The measures included temporary tax cuts, and a two-percentage-points cut to employers' social contributions, new publicly-funded investment projects, export support measures, interest-free loans to SMEs. To help companies identify "flexible solutions", on March 18, the government effectively suspended the labor code, allowing employers to deviate from regulations concerning working hours and the minimum wage.

Economic-policy responses with lasting effects on democracy

Some of the economic policy responses of the government will also have lasting effects on Hungary's democracy. The government cut the funding of political parties by half in Spring 2020, under the pretext of reallocating money to the coronavirus responses. The 1.2 billion forints (€3.42 million) reallocated is little compared to the budget of the crisis funds, but it effectively hinders the operation of opposition parties that overwhelmingly rely on state funding as a source of revenue. Bolstered by their oligarchs and the political use of governmental resources, this cut does not affect Fidesz. The government also reduced local governments' budget by centralizing or canceling various taxes collected by local governments, with further selective punitive financial measures targeting communities controlled by the opposition (e.g., Göd, Budapest District IX).

The responses to the second wave of the pandemic so far have concentrated on epidemiological measures, without any new significant social or economic policy intervention in addition to the ones announced earlier. Hungary has emerged as one of the most severely hit countries in Europe based on the number of deaths per population during the second wave of the pandemic. As of December 21, there were 305,130 cases registered, with 193,886 active infections and 8282 deaths. The number of infections and deaths has been rapidly increasing since September 2020.

Fidesz's response to the COVID-19 pandemic sheds further light on its complicated relationship with health. On the one hand, the party restricted access to hospitals to save beds for COVID patients beyond what experts deemed necessary. The party also used the crisis to erode democratic checks and balances further and undermine the opposition by cutting funding to political parties. It remains to be seen how Fidesz manages the balance between opening the economy and containing the virus. So far, the priority to help businesses instead of people led to a significant increase in social tensions.

4.2 | Social reality: helping those who can help themselves

The epidemic had a disastrous effect on society, with unemployment climbing steeply and large income losses even for many of those still employed. The government's ideological priorities — helping those who can help themselves, aiding the upper-middle class' embourgeoisement, supporting transnational corporations — are reflected in the social and economic policy measures adopted in response to the pandemic. Governmental interventions have prioritized alleviating the financial burden of businesses. Both transnational corporations and the government-friendly national bourgeoise received generous support.

The financial assistance directly allocated to citizens is much more tight-fisted. The measures include a debt moratorium for all borrowers until the end of 2020 (later extended during the second wave), a projected increase in the number of public workers and military intake (applications have doubled since the beginning of the pandemic according to Major Tamás Durgó, in charge of the military's national recruitment program), a one-off bonus for health workers, an extra week of pension to be paid out every February during 2021-24, and a limited wage guarantee scheme modeled along Germany's "Kurzarbeit," albeit with more limited scope. This scheme covers part of lost wages for three months under certain restrictive conditions.

On August 25, the government announced that it would not be expanding the wage subsidy scheme. Applications were not accepted after August, and subsidies themselves will stop latest by January 2021 (in some sectors, applications were later extended until February

2021). Until the end of August, the government spent HUF 50 billion on the wage guarantee scheme (assisting 16,574 companies, with further 972 companies receiving R&D wage subsidies), which is one of the lowest amounts in the whole OECD. Only 5% of workers received help, far less than some other countries in the region (1/5th of Czech and German workers and 1/3rd of Austrian workers received assistance through the wage guarantee scheme).

The government refuses to extend the record-low three-month unemployment benefit. No new social policy tools were introduced to ease the burden on those living in poverty. The unemployed and those working in the informal sector do not receive any additional help. Half of the 323,000 unemployed Hungarians in September 2020 did not receive any help from the government, one-fifth of the unemployed receives the employment substituting benefit (22,800 forints (€65) a month; the average net monthly salary in Hungary was €789 in 2019), and only a third of the unemployed receive the three months unemployment assistance.

The government's limited appetite for social assistance is also reflected in the fact that direct financial assistance provided by the government declined by 11.1% from the first to the second quarter of 2020, according to data from the Hungarian Central Statistical Office. The high inflation rate — especially the steeply rising price of food products — represents an additional burden on low-income households, who spend proportionately more on food than high-income households. There is no data currently available for 2020, but likely, the number of households at risk of poverty as well as the number of households unable to cover unexpected expenses grew significantly during 2020.

Covid-19 responses stuck in the logic of Orbanomics and dismantled welfare state

The logic of the government's socio-economic responses to Covid-19 corresponds to the logic of Orbanomics: workfare, social divestment, labor flexibilization, and redistribution towards the upper-middle class and the national bourgeoisie. Orbán used workers' anger to launch his authoritarian-populist project in 2010, but workers are not the regime's true beneficiaries. Fidesz fundamentally restructured the welfare state and boosted precarious employment. Public services and social benefits are the most crucial targets of austerity. Public health care spending declined from 5.2% of GDP in 2009, a level already low in international comparison, to 4.7% in 2018, the lowest in East-Central Europe. Spending on social protection was slashed from 18.1% of the GDP in 2009 to 13.3% in 2018. Education spending was reduced from 5.4% in 2009 to 5.1% in 2018.

While the value of universal family benefits (family allowance, maternity benefit) declined, newly introduced subsidies target high-income families, such as tax breaks, baby loans, and loan forgiveness. The first step was to restructure the income tax with aggressive tax breaks for families with two or more children. Recent measures introduced in 2019 include the following: the government exempted women with four children or more for life from paying income tax; young couples receive interest-free loans of €28,000 (HUF 10 million) canceled once they have three children; families able to invest on their own and commit to having three children can get €28,000 (HUF 10 million) housing subsidy. These new measures aggressively seek to increase the fertility rate of high-income families while disincentivizing low-income groups.

Social effects of "national-populist neoliberalism"

At the same time, new punitive measures accompany the retrenchment of welfare, such as criminalizing homelessness, deepening segregation in schools, establishing patron-client relations through the public works program, excluding the unemployed from various forms of housing support, and dramatically increasing public spending on safety and public order. In sum, the government drastically restructured social protection, dismantling the already vestigial welfare state and replacing it with a pro-nativist workfare

state. This form of 'national-populist neoliberalism' combines social policy for the so-called "deserving" citizens or "loyal" national capitalists with social divestment and disciplinary policies for those deemed "undeserving." In short, socialism for the rich, capitalism for the poor.

The price of the labor market improvements of the last few years was a steep rise in inequality and labor market precarity. In-work poverty increased from 5% in the second half of 2000 to 10.2% in 2017, and 8.4% in 2019. According to Eurostat, the number of people in severe poverty earning less than 40% of the median wage also grew dramatically, from 197,000 persons (2% of the population) in 2010 to 478,000 persons (5%), which is one of the highest increases in the whole EU. Hungary displayed the lowest income growth for the bottom 40% in the EU in the last decade, as demonstrated by the European Commission's ESDE report. The Gini coefficient of income inequality jumped from 24.1 in 2010 to 28.7 in 2018 and 28 in 2019, while neighboring Slovakia, Poland, and Czechia saw a decline. Consequently, Hungary is now more unequal than the Czech Republic and Slovakia, on par with Poland, but on opposite trajectories, as Poland's inequality has declined under PiS. Most of these indicators are likely going to worsen in 2020.

Health care represents a particularly weak spot of the Orbán government. Based on the Euro Health Consumer Index, the Hungarian health system's quality is the third lowest in Europe (after Romania and Albania), sliding seven ranks between 2014-2019. As a consequence of chronic underfunding, the health infrastructure's quality has declined after 2010, with an increasing number of wealthy opting for private health care instead. Private out of pocket payments accounted for more than one-quarter (26.89%) of health spending in Hungary in 2018, nearly twice the EU average. The high share of private out of pocket payments represents a major problem for citizens in lower-income brackets. The rise of private out of pocket health spending shows a trend of creeping health care privatization. Moves to reduce the number of hospital beds fall into the same category, pushing people towards private health care providers.

4.3 | Economic outlook for 2021

Economic growth is likely to resume in 2021-2022. According to the European Commission's current forecast, the GDP will increase by 4% in 2021 and 4.5% in 2022. Public finances will continue to deteriorate in 2021 due to the economic downturn. The budget balance will remain significantly above 3% in the next two years (5.5% of GDP in 2021). As a consequence of the deterioration of the budget balance, government debt is set to rise sharply from 65.4% of GDP in 2019 to 78% in 2020 and 77.9% in 2021, according to the European Commission. As economic growth resumes, the debt ratio is expected to decrease to 77.25% of GDP by 2022. Private consumption will also likely grow again in 2021 by 4.4%. Because policy interventions are moderate and fail to help low- and average income citizens, private consumption growth is limited.

As the previous sections showed, the government's priority is subsidizing businesses. Consequently, private investment receives significant policy support, including grants, cheap financing, and tax cuts. Gross capital formation is forecast to grow by 4.1% in 2021 and by 6.9% in 2022. Exports are also forecast to grow (8.3% in 2021 and 7.9% in 2022), contributing significantly to GDP growth in the next two years. The reinvigorated global supply chain activity is an essential factor behind the increased exports, and so is the improved cost competitiveness following the Hungarian forint's recent depreciation. However, tourism is projected to recover only slowly, representing a significant setback for the Hungarian economy.

The Hungarian economy's long-term potentials are less rosy than the likely vigorous rebound from the corona-induced slump to follow in 2021. Orbán's government realized the need to balance economic dualism by gradually decreasing transnational corporations' role and increasing domestic value added. Such a shift would indeed be necessary to make economic development future-proof and get Hungary out of the middle-income trap.

However, this recognition did not result in a policy environment that could ensure long-term economic upgrading. The capacity of Hungarian-owned companies to take advantage of global value chains remains exceptionally low. Domestic producers' capacity to innovate declined further after 2010 from an already deficient level. The difference between the productivity of foreign- and domestic-owned companies has also increased slightly since 2010. In parallel, transnational corporations' export structure has also changed adversely, leading to a decline in the Hungarian economy's knowledge-intensity after 2010.

In order for Hungarian-owned companies to increase their productivity and export capacity, they would need to exploit the potential inherent in higher value-added segments of the value chains. Such technological development is knowledge- and resource-intensive and requires long-term planning and commitment to upgrading. Although the government has improved access to capital since 2010, knowledge production and long-term planning have been pushed into the background. The declining quality of education, falling tertiary education financing and enrollment, aggressive intervention into the operation of research institutes and universities have undermined the possibility of building a knowledge-intensive economy.

These growing socio-economic tensions have significant implications for the political viability of Orbán's illiberal regime. Orbanomics is socially costly, hurting large segments of society. The 2019 local governmental elections again showed that Orbán's illiberal hegemony is vulnerable, as the opposition could take hold

of critical large cities throughout the country, including the capital. The stability of the regime increasingly depends on the institutional authoritarianism and authoritarian populism it employs.

To pre-empt a possible political backlash emanating from the losers of the government's socio-economic strategy and to hinder the politicization of diffuse social unrest, Fidesz curtailed the institutions of liberal democracy and aimed to reframe economic grievances as a culture war, which allows the government to maintain a modicum of support even among the victims of its socio-economic policies. The regime's future depends on its continued ability to maintain support across broad sections of the business class, the (upper) middle class while also cajoling the most precarious populations into supporting the government through culture war and fear-mongering.

In the medium to long run, a potential reduction of EU funds would represent a significant threat to the Hungarian economy. However, there are still unused funds in the current budget cycle ending in 2020 that can be used until 2023. Hungary will also be among the biggest winners of the EU's pandemic recovery fund, as the country is entitled to more than six billion euros according to the agreement reached in the European Council. If the EU would have decided to solve the rule of law crisis by going forward with the pandemic fund as an intergovernmental treaty, leaving out Hungary and Poland, it would have significantly stalled the prospects of a vigorous recovery in 2021. Although Mihály Varga, Minister of Finance, expressed his confidence that the government would be able to fight the pandemic-induced recession without the EU's help, securing access to the EU budget and the recovery fund is certainly a crucial economic help for the government for the 2022 elections.

5 The Hungarian society in 2020

5.1 | The state of independent media in Hungary

As we have documented it exhaustively in our previous yearbooks, when it comes to the big picture about the media landscape, it shows the continuous expansion of the pro-government media in Hungary. Nowadays, Viktor Orbán no longer complains that he is "forced to work under constant pressure from the overwhelming left-liberal media". According to the Prime Minister, there is a perfectly balanced media situation currently in Hungary: half of the journalists belong to the "conservative Christian side" and the other half represents liberal and socialist views. At the same time, a recent Mérték-Medián research shows that 82% of Hungarians (including 65% of Fidesz voters and the authors of this publication) think that Fidesz has a bigger influence in the Hungarian media than the opposition. What is beyond doubt, however, is that there is indeed a long-term strategy in place to tilt the Hungarian media-landscape towards a conservative view.

As the Fidesz media empire grew over the last decade, there remained only two major targets left in the media that the governing party badly wanted: Hungary's leading online news portal, Index, and more importantly still the leading national television channel, RTL Klub. Alas, protected by the political interests behind its international owners, RTL Klub remains out of reach for Fidesz. After years of waiting and machinations behind the scenes on the part of the governing party, Index has now been substantially neutralised as a major thorn in the government's side.

The fighting oligarch

As the most visited online news site, for many years Index has been a rock in the unsteady and tumultuous independent media landscape. Its position became wobbly after the ownership rights to the newspaper were clandestinely transferred from businessman Zoltán Spéder to the most important oligarch at the time, Lajos Simicska, in 2014. Ironically, despite the fact that he was known as Viktor Orbán's most important ally in the business world and the engineer of Fidesz's first media empire, Simicska's takeover ultimately resulted in a reprieve for Index and its many readers. In the following year, Simicska turned against Orbán with a vengeance, unleashing the full weight of his media empire on the prime minister.

As is well-known, Simicska persisted until the election of 2018, throwing his medias' weight behind Jobbik, though less forcefully than how these outlets previously supported Fidesz. Once Fidesz emerged victorious from that election, Simicska also decided to concede and relinquished his media empire. But once more Index escaped seemingly unscathed. Fidesz's former treasurer had wisely given up the ownership rights to an independent foundation led by a respected media lawyer, László Bodolai, who was held in wide esteem among the government's critics. Yet, on account of Spéder's previous dealings, there was a noose around Index's neck: the company with the exclusive right to sell its valuable advertising spaces, Indamedia, was acquired by a Fidesz crony well before 2020.

Index staff resigns

Proud of its independence, Index's staff was concerned enough to set up an "independence meter" meant to inform its readers whether the newsroom perceived any threats to its autonomous operations. Index's then editor-in-chief, Szabolcs Dull, set this to "in jeopardy" for the first time in June 2020, after Bodolai and the board started pressing for business changes to increase profitability. Dull perceived that these plans were liable to lead to political pressure on the newspaper's reporting.

Bodolai felt offended by Dull's move, and he claimed that he had not been warned about it in advance. The tensions increased when Bodolai accused Dull of the public dissemination of confidential business plans. Ultimately, the conflict culminated in the firing of the editor-in-chief by the owners, despite the staff's clear warnings that they were fiercely loyal to their editor. After an intense standoff with the owner in July, Index's entire staff resigned as Bodolai refused to reinstate Dull. This was an unprecedented move in recent Hungarian history. There was no major Hungarian institution under pressure from the Orbán government in recent years whose employees had reacted in such strong solidarity.

At the same time, parts of the Hungarian pundit class immediately began to harbour doubts: Had the move been necessary? Was it realistic or likely that Bodolai, a steadfast civil rights lawyer, was preparing to sell out Index to Fidesz? In an alternative interpretation of events, two egos, Bodolai's and Dull's, had clashed, and while Bodolai was in a stronger position legally, Dull had earned the loyalty of his newsroom, which did not back down. Superficially, their showdown and its tragic outcome seemed to some like a Greek tragedy: inevitable and superfluous.

Once the staff departed, the new news team had shifted discernibly to the right. Not into propaganda mode, far from it, but clearly in a direction that made politically less interested Index readers less likely to encounter critical headlines about the government as they browse the Index website for their beloved tabloid contents.

Unmanageable pressure

Bodolai never made clear why he was pushing to reorganise the newsroom citing financial challenges even as Index's financial statement showed that the claims about a financial crisis at the paper were plainly untrue, since Index was returning modest but discernible profits. Most damningly, Bodolai indicated that Fidesz's chief stranglehold over Index, the exclusive contract with Indamedia to sell Index ads, was soon about to expire. Paradoxically, Bodolai claimed in an interview that he was not sure when said contract would end because, he said, he was not preoccupied with such details – a highly odd reasoning for a lawyer and owner in such a politically fraught media environment. Finally, Bodolai professed trust in Indamedia's owner, Miklós Vaszily, one of Fidesz's main media executors who had Fidesz-streamlined several outlets before (including Index's chief rival, Origo, where Dull had worked before coming to Index). This profession of confidence in a notorious Fidesz operative stood in stark contrast to his distrust in his own editorial team of several years (said mistrust quickly became mutual).

The actual issue is thus that one of the two last remaining major bulwarks of independent media had been under continuous pressure for years now, and the staff felt the heat in various forms. In the lack of the otherwise ubiquitous government advertisements; in the refusal of governmental figures to comment to Index, not to mention give them interviews or to provide them with data or information; the tightening space for parliamentary reporting; and the character attacks on several prominent reporters, among other things. Bodolai did indeed safeguard Index up until 2020 despite what everyone assumed was a massive appetite on the part of Fidesz to rein in the unruly newspaper; while the tales of his heroism have never been told, this was probably an achievement in itself.

It was also not enough to ensure that the newsroom could operate with the genuine freedom and independence that journalists in democracies tend to enjoy. Ultimately, either Bodolai, the staff, or both lost the war of nerves. However, what needs to be underlined is that the political control over the media landscape was clearly the culprit. Fidesz had quietly wielded the axe in the background, and the situation was designed to lead to such an outcome sooner or later.

This became clear to everyone when Indamedia purchased the stocks of the publishing company of Index.hu from the foundation that previously owned them in November 2020, and as a result,

the online news site became part of the Indamedia group. „It is important to note that this move will result in a clear corporate structure, as Indamedia will be fully responsible for the operation of the subsidiary - this was less obvious in the previous form of collaboration", Ákos Starcz the newly appointed Index CEO revealed in a statement. Indeed, now it is obvious that Index belongs to the pro-government media empire.

Other major coups

In all the years since Fidesz took over, this was arguably the biggest success in terms of limiting independent journalism in Hungary, and not for lack of competition. There was the shutdown of Népszabadság, the country's largest opposition daily that was also the chief source of investigative scoops about the government at the time. Then there was the online newspaper Origo, second only to Index in terms of reach and known for its dry, unpartisan but decent reporting, which was turned into the ugliest of propaganda outlets. And of course there is the crown jewel in the Fidesz media empire, the tabloid television channel TV2, second only to RTL Klub in terms of national viewership, which also went from news shows focusing on celebrities and animal mishaps to utterly politicized Fidesz propaganda. And these were of course only the big trophies, there were many smaller conquests on the way to building the most concentrated pro-government media landscape in the European Union.

The victory on the Index front was not enough for Fidesz in 2020, however. The left-wing weekly 168 óra, controlled by a company affiliated with Chabad, an ultra-orthodox Jewish denomination with close ties to the government, has gone through several reverberations recently, with its most recent editor-in-chief being fired for printing an otherwise uncontroversial photo of the Orbán family. Klubrádió (in which a presumably Chabad-affiliated investor holds a minority stake) is now slated to lose its sole remaining frequency that allows it to broadcast in Budapest (it was stripped of its national coverage already years ago). The Fidesz-controlled media authority had already decided to arbitrarily deprive Klubrádió of its Budapest frequency years ago, but it then made an about-face for reasons that were unclear. At this point, it is not clear whether Klubrádió has any major defenders left; although it is still popular in Budapest, the Hungarian public is unlikely to rise up to defend the last major independent radio station.

Intermission over, the earthquake continues

It appears that the ground in the Hungarian media arena is shifting once again massively, with Fidesz eroding even stalwart left-wing media that it had previously seemed content to leave alone. It is not that the ground for independent and opposition media has ever been stable for any extended periods of time since Fidesz took power in 2010; the massive earthquakes that manifested themselves in the shutdown of independent media or their "conversion" into pro-Fidesz government outlets has come in irregular waves.

For a while, however, we, too, theorised that Fidesz needs some dissenting media to persist, to serve as a fig leaf disguising the increasingly overt authoritarianism of the regime. Said authoritarianism most obviously manifests itself in the opposite of what Viktor Orbán famously announced in Brussels: "We would never resort to silencing those who criticise us!" In fact, the government's media policy has been the clear antithesis of Orbán's statement in the European Parliament in 2018.

But even so, it seemed that media outlets with marginal national impact, such as Klubrádió or 168 óra, would be allowed to operate because in a sense they are preaching to the choir; their listeners and readers tend to be older than average, stuck in their anti-government positions and "irredeemable" from Fidesz's vantage point. The independent and rural voters whom Fidesz desperately wants to insulate from any critical and transparent media coverage would hardly come across these outlets. Moreover, and this may be even more significant from Fidesz's perspective, they do not perform investigative journalism, which is the biggest thorn in Fidesz's side. Who else to better serve as the fig leaf of a pluralistic media?

A lot of compromised and vulnerable media

It is vital to point out that with the partial exception of RTL Klub (partial because RTL Klub remains largely apolitical) at this point there is not a single legacy media outlet with a significant audience reach left over which the government does not wield at least some level of influence. If Klubrádió with its limited but nevertheless significant share of the Budapest radio market falls, then it was one of the last Mohicans. Nominally, the news channel ATV is critical of the government, but although it is not insignificant, it cannot be called a major player, either. Even more importantly, it is owned by and actively managed by an evangelical Christian denomination, the Assembly of Faith, which once supported the centre-left in Hungary, but has now actively wedded itself to the Fidesz government, with mutual assurances of respect and goodwill. It is something that limits ATV's coverage, even as it continues to be the only television channel that offers a lot of space to opposition politicians and independent analysts, which makes it vital a resource.

This kind of compromise runs through much of the surviving opposition media in Hungary; in addition to the stakes of the Assembly of Faith in ATV (as well as the less influential but formerly anti-Fidesz weekly Hetek, the church's public affairs newspaper) and of Chabad in Klubrádió and 168 óra, the remaining left-wing daily, Népszava, started receiving government ads, which is otherwise basically unavailable to critical media outlets. Népszava's owner, Tamás Leisztinger, is an oligarch who was once aligned with the left but is also visibly friendly with Fidesz now. Finally, the ruling party's No. 2, the speaker of parliament László Kövér, singled Népszava out as part of the historical media landscape worth preserving.

The end of an era

The fall of Index is an inestimable blow to the remaining free media landscape in Hungary. Several years ago, after the shutdown of Népszabadság, a potential shutdown of Index was spreading as a sick joke of sorts in opposition circles. The implication was that that

would mark the end for free media in Hungary because it would remove a central pillar without which the frail structure would not hold. The sick joke has become a reality, earlier than we anticipated, and maybe even earlier than Fidesz had intended.

In any case, this will cut another major slice of the population off from critical information about the government since those of Index's readers who will tend to migrate on to the new site run by the former Index staff, Telex.hu, will be predominantly critical of the government anyway. With the disappearance of the dominant player around which this particular niche of the broader ecosystem was organised, we see a shift in the remaining independent media landscape now. The void it leaves behind cannot be immediately filled by other media outlets, and maybe not even in the medium term.

Fragmented remnants

The remaining independent/opposition media system will be far more fragmented. Different publications vie for the position of becoming the new Index, and while some do better than others, none of them, including Telex, seem likely to come close. And while especially on the internet vibrant independent media outlets remain (24.hu is the largest now, followed by hvg.hu and 444.hu; then there are also Atlátszó, Mérce, Azonnali and a few smaller players), among the legacy media, the picture is more desolate.

The print weeklies that remain – HVG, Magyar Narancs, Jelen, ÉS – offer an impressive array of independent and opposition thinking, but their audience reach is limited. And it stands to reason, that with the potential exception of 24.hu, all of the remaining major independent or opposition outlets barely reach audience segments that are not politically committed already.

Fidesz's informational control over the politically uncommitted and less active segments of society was already devastating before the most recent wave of its conquests in the media market began in 2020. The financial pressure wrought by the coronavirus will further squeeze whatever remains of independent media in Hungary. The only recourse is the potential solidarity of Hungarian civil society, which has been historically weak and is also looking increasingly financially strained as a result of the emerging economic crisis.

While politically speaking this is primarily a challenge for the organized partisan opposition of Fidesz, in reality the lack of independent information is a massive challenge for all of Hungarian society. None of the various social players that Fidesz has designated as its enemies thus far – the opposition parties, NGOs, independent media, academia, courts, etc. – have been even remotely strong enough to successfully stand up to the vast and concentrated powers of the ruling party. With the ongoing changes in the media landscape, the kind of expansive social cooperation and coordination that might eventually topple the governing party is becoming even more elusive.

5.2 | Towards a conservative cultural hegemony

Much like the years before it, 2020 was not a good year for democracy in Hungary. The government's programme aimed at increasing its control over all aspects of society continues apace as the political, economic and social constraints in the way of authoritarian regime-building prove too weak to halt the process. Yet, while it was a challenging year on many fronts, 2020 also produced two situations in which the institutions under attack have not quietly rolled over but chose to resist the inevitable. First was Hungary's leading online newspaper, Index, whose staff left when it came under pressure under the guise of economic rationalisation. Then came the University of Theatre and Film Arts (SZFE), one of several institutions of higher education that the government has recently "privatised", which meant in practice that it was turned over to be run by figures closely affiliated with the governing party. These formerly independent academic institutions are now likely to play a role in the government's overall strategy for socio-cultural hegemony.

SZFE is slated to be run by a private foundation headed by Attila Vidnyánszky, the director of Hungary's National Theatre, who is considered a leading figure in the dramatic arts and ranks among few in this field with an open sympathy towards Fidesz and its ideological goals. Vidnyánszky is a crucial player in the government's plans for establishing a pro-Fidesz cultural hegemony because unlike many of the other figures selected by the regime for controlling cultural organisations, the renowned director is actually recognised for his artistic skills beyond the pro-Fidesz subculture. This makes him a rare commodity in the Fidesz empire.

Another salvo on the cultural front

Still, Vidnyánszky's artistic recognition has suffered as a result of his willingness to implement what many consider an overtly political agenda that has no place in the arts. The students and staff of SZFE have risen up an in unprecedented revolt against the government's decision, occupying the university building and barring the new management – including a military colonel as chancellor – from entering. The strike, which received some celebrity support from major global actors as well, went on for 71 days, and it was only because of the lockdown (on 11 November 2020) that students and faculty of the SZFE decided to end the occupation of university buildings in protest at the move by Orbán to end the school's autonomy. Since the demands of the protesters are still not met, the students announced that „we are not giving up the blockade, but are taking it with us", which indicates that the story is not over yet.

As expected, the government did not back down. Even massive international protests and the threat of being expelled from the mainstream conservative European People's Party (EPP) did not make it relent on the question of ousting Central European University from Hungary. However, seeing the story of the Index revolt and of SZFE's strike and building-occupation, some observers have begun to speculate that something may be shifting in Hungarian society after the endless barrage of rule-of-law abuses by Fidesz, and a new pattern of resistance may be emerging. This is true only to a very limited extent. What the attack on Index and SZFE have in common is that they took aim at two institutions which comprise the least servile strata in Hungarian society: young people whose political socialisation took place after regime transition (like the online newspaper itself, the Index newsroom was very young) who are also urban intellectuals and thus, based on their demography

alone, very likely to be critical of the government. Neither of these qualities describes the vast majority of the population or of the institutions that the government is likely to have in its aims. Even in the critical bastions such as the Hungarian Academy of Sciences, resistance to the government takeover has been relatively subdued, in large part also because of the different age group implicated.

Privatised universities

In fact, if there has been any pattern at all, it has been the opposite, that on the whole institutions of higher education tended to get steamrolled quietly as well. What has passed more or less quietly below the radar is that SZFE is only one of 8 formerly state-owned institutions that have been privatised thus far. The "pilot" project, so to speak, was one of Hungary's most established institutions of higher education, the Corvinus University of Budapest (BCE), known during communism as the Karl Marx University of Economics. In addition to its core expertise in economics and business, BCE is also renowned for its training in political science and in other social sciences. Yet, when it was privatised in 2019, there was very little protest, even though the partisan nature of the taking over was very blatant.

After the success of the Corvinus "pilot" programme, the government announced earlier in 2020 that seven further institutions would be controlled by private foundations. In addition to the aforementioned SZFE, the affected institutions are the Moholy-Nagy University of Art and Design, the Széchenyi István University, the University of Miskolc, the University of Veterinary Medicine, the John von Neumann University and the University of Sopron.

As usual, the government invoked arguments such as ensuring the financial viability of the institutions in questions; the greater flexibility in offering performance-based pay; the possibility of involving private enterprises in running the universities; and arguments along these lines in justifying the decision. At the same time, it promised to apply strict educational standards to ensure that the aforementioned would not have a detrimental impact on the quality of training provided by the newly privatised educational institutions. There is of course considerable debate in policy-making and academic circles concerning the merits of privatising state-owned educational institutions based on the logic proposed by the government; but since that's a huge can of worms that also misses the point here, we will bracket that discussion for now.

The political dimension cannot be ignored, however, since it is thorny in several respects. Firstly, the government's logic is striking because for years under the left-liberal government between 2002 and 2010, Fidesz cast itself as the standard-bearer of state ownership, state control and state responsibility in both education and healthcare. In fact, the referenda initiated by Fidesz to counter healthcare privatisation in 2004 (when 65% supported Fidesz's position) and to oppose any user fees in healthcare and tuition fees in higher education in 2008 played a pivotal role in undermining the MSZP-SZDSZ governments' liberalisation and privatisation agenda.

Fidesz was and is still well aware of the fundamental statist consensus in Hungarian society, which is manifest in public opinion surveys, focus group research and anecdotal evidence alike. Hungarians fundamentally believe that the major public services should be owned and controlled by the state – although as Fidesz is keenly aware, most of the public does not mind if the state takes control of corporations that operate in sectors of the economy that tend to be privately controlled in Western countries.

Despite its ideological pronouncements on the need for state control over the economy and Orbán's openly professed sympathy for what he considers the Asian model of economic development, there is in fact massive privatisation happening, including in the areas of education and healthcare. We have discussed on several occasions the concept of creeping privatisation in Hungary (for the first time in our 2015 political yearbook), and the foregoing analyses lay out the process in great detail, but in the present context we can add some nuance.

FREE
SZFE
FREE
SZFE

For Fidesz, privatisation plays different functional roles in different areas. In healthcare, it appears to be simply a reflection of the Fidesz government's unwillingness to "waste" money on such intangibles as public health, especially since the state healthcare system is disproportionately geared towards helping the underprivileged strata whose interests Fidesz does not particularly have at heart. In other areas – primarily banking but also in the service subsectors where government-friendly oligarchs expand with the help of state intervention – the idea is to increase the financial prowess of the Fidesz oligarchy and its control over the economy. Finally, in the media (which obviously intersects with the service sector), culture and education it is about political control (control over information) and ideological hegemony.

Cultural and educational fiefdoms

Although various analogies come to mind when looking at the landscape of privatised universities, the most striking one is the Hungarian world of football, much of which has been divvied up between oligarchs and powerful Fidesz figures, including the MP András Tállai, who is in charge of a First Division team and was already in that position while he served as the head of the Hungarian tax authority. The football analogy is all the more fitting because one of Hungary's richest men, the politically well-connected Sándor Csányi, is not only president of the Hungarian Football Association but is now also in charge of the foundation that controls the University of Sopron. And even though he is known for his business and personal ties to Fidesz (the prime minister likes to use his business jet), he is arguably the most independent of the figures now appointed to such positions. Others include one of Orbán's new favourites, the justice minister Judit Varga, who will have to add overseeing the University of Miskolc to the vast portfolio of issues she is responsible for; Gergely Böszörményi-Nagy, the boss of the Moholy-Nagy arts school, is a young careerist whose entire professional trajectory was defined by his loyalty to the regime; and Professor Gábor Náray-Szabó, one of the few actual scientists (he is a chemist) who professes an open love for Fidesz.

And even as Fidesz is taking over public universities like people regular buy clothes to refresh their winter wardrobe, it is also doling out massive funds to foster what it calls "elite education" in the context of the Mathias Corvinus College (MCC), an advanced studies program for high school and university students. The MCC was founded by András Tombor, who emerged as a Fidesz oligarch later, and the president of the board is the ubiquitous Balázs Orbán, a young Fidesz politician who serves as a state secretary/junior minister in the government – an increasingly typical fusion of governmental and civilian roles. The MCC was given a staggering amount of public funds in the form of 10% of the shares of two Hungarian corporate giants, Richter Gedeon Pharmaceuticals and the fossil fuel company MOL (Corvinus University received the same amount MOL and Richter shares in 2019). The Fidesz government had previously acquired 25% shares of MOL at an inflated price, only to partially privatise it now to its cadre-training institute. The value of the shares given to MCC was about 300 billion forints (800 million euros at today's exchange rate), a staggering amount that is roughly on par with the government's annual spending on higher education.

At this point, it must be mentioned that the government introduced a new definition of the concept of public money on a constitutional level ("Public money is the revenue, expenditure, and due of the state"). The constitutional amendment stated that issues related to public-interest asset management foundations should be regulated by laws requiring a qualified majority. A prime example of this type of organization is the MCC. Similar debates about what public money is also surrounded the foundations behind sports academies (especially in the context whether they have to release information on how they spend money acquired through tax rebates).

All in all, the new regulation could ultimately enable state-owned companies and state-financed foundations to easily hide their finances, arguing that the funds they had been endowed are not public money. Meanwhile, the law regarding these organizations cannot easily be replaced even after a change of government as

they require a two-thirds majority. With this amendment, many believe that the government wants to secure some of the money even in case Fidesz loses the next parliamentary election.

An old trend continued: expanding partisan control in education and culture

In the end, what is happening in the realm of education is not revolutionary, these are just routine steps in Fidesz's ongoing effort at expanding its partisan control in education and culture. Basically, the universities are just another front in the culture wars that Orbán openly proclaimed two years ago. If one wants to read a positive sign into this, then it would be that given Fidesz's penchant for centralized control, the desire for privatising institutions of higher education – which the government can also influence heavily – might reflect the willingness to entertain the idea that at one point Fidesz may not be in charge of the government, in which case it would want to remain in "possession" of these institutions.

While it cannot be ruled out, this appears to be an overly optimistic assessment of Fidesz's willingness to entertain the idea of losing an election, however. A more likely explanation is that the governing party's control will actually be more pronounced at private universities, where party lackeys will determine hiring and firing as well as admissions, even while the schools in question will receive ample taxpayer funding.

Despite the legal oversights, this will give the Fidesz-appointed university management extreme latitude in shaping the university's ideological outlook. Moreover, since the universities will be nominally private institutions, it is unlikely that the EU can protest much if they become loci of ideological indoctrination. And given how Fidesz has wielded its absolute power in other areas, especially the media, it seems unlikely that it would use its control over universities for anything other than making sure that both academics and their students toe the line.

And even in the best-case scenario that Fidesz is making preparations for ideological resupply in the event that it is forced into opposition, there is still the major problems that neither the intellectual nor the financial assets of the Hungarian public are served by the de facto expropriation of institutions of higher education to serve partisan interests. It is sad to point this out, but the blatant corruption of such measures has become so quotidian that it is barely worth pointing out amidst all the strategic issues at play when the government sets its sights on a given institution.

5.3 | Outlook on the Hungarian society in 2021

That the culture war will be ongoing in fierce intensity in Hungary is by now self-evident. In fact, even though it is true that Viktor Orbán's government switched its own cultural combat operations into a higher gear following his proclamation of Fidesz's envisioned cultural hegemony in 2018, the undeclared war had been raging long before – long before even 2010, when Fidesz came to power for the second time, although it did become a lot more intense once Fidesz wielded a two-thirds majority in parliament.

On the institutional side, in terms of control over publicly owned institutions such as universities, theatres, museums, literary centres, etc., the war is more or less over, what is happening now is that the government is sweeping up the remaining pockets of resistance. Fidesz has already or will continue to take control over what it wants and even the most intense public protests conceivable today are not nearly powerful enough to shake the governing party's determination. The resistance to the institutional takeover is limited to small segments of society which are electorally uninteresting for Fidesz anyway, at least in the short run. It appears that the governing party has given up on one generation of youths who are highly critical of such efforts in exchange for moulding the minds of the next generation in their schools and universities, which will be increasingly dominated by Fidesz loyalists and pro-Fidesz curricula.

Thus, the more relevant question is how the cultural divide within Hungarian society will shape up and how much freedom there will be outside the official public institutions to create some sort of ideological and intellectual common ground in large segments of society. Hungary is very similar to many intensely divided societies these days, especially in terms of the most fundamental cleavage in society, the urban/rural divide, which is heavily and to some extent artificially politicised, but is at the same time also rooted in genuine cultural, socio-economic and lifestyle differences, which may at times translate into conflicting interests. In terms of the political dimensions, the government's interest lies in deepening the rift that exists between Hungarians, be they partisan or demographic, especially along the urban/rural axis. Currently, the partisan correlation between an individual's main demographic identifiers (e.g. urban vs. rural, young vs. old, more educated vs. less educated etc.) massively favours Fidesz, and the more divided society remains – especially in terms of its information and cultural consumption – and the less people communicate across the demographic and partisan divide, the more likely the ruling party is to hold on to its popularity and its position as the dominant party in Hungary.

Fidesz's strategy in this context is clear now and well-established: control institutions and control sources of public information, and gradually expand said control while weakening any institutions and sources of public information that proffer narratives which run counter to the government's viewpoint. For 2021 and the medium-term future, the major question in Hungarian society will be whether some issues and common narratives can rise to the fore which connect Hungarians regardless of the divisions that Fidesz relentlessly emphasises. This is a challenge for the opposition in particular, but it is also a challenge for Hungarian society overall, since the deep internal divisions of the latter arguably stand in the way of a more successful management of the 21st century challenges.

The most hands-on common issues for Hungarians are inequality, pensions, healthcare and education, and the functioning of the relevant public institutions that are theoretically in charge of managing

these. Even though Fidesz's support in society remains high and solid for now, looking at the popular perceptions of these institutions and their performance, public satisfaction with the underlying institutions is far less stellar and robust. The governing party's efforts at pushing the culture war narratives serve precisely to plaster over the fact that much of the public may believe the political narratives disseminated by the ruling party, but they are less happy with the state of their local hospital, with the quality of the education that their schools provide or the size of their pension, for example. The solid economic growth of the past years has combined powerfully with the government's successful narratives and they have jointly relegated these vital everyday issues to the background. The more the economy runs into trouble, further undermining economic security and public services, the more Fidesz is likely to push the culture war narratives, attacking gays, migrants and the "Soros conspiracy" to avoid talking about how people's livelihoods and quality of life may be in jeopardy.

The opposition cannot break through the communication fog created by Fidesz until it manages to come up with a common narrative that unites urban voters and at least a sizeable slice of the rural electorate by persistently highlighting the problematic public policy reality of their joint experience in hospitals, schools, etc. And to be fair, it must be stated that large segments of the opposition have been doing exactly that for years, relentlessly pointing to the painful socio-economic realities that have accompanied the economic boom of the past years, whose benefits were spread unevenly across society. To potentially succeed in 2021, the opposition must find more effective ways to communicate to the public that these issues matter to the opposition movement and that they can offer a better way forward than the government. But to some extent, the burden will also be on Hungarian society, to confront more openly the challenges it faces at the everyday level and the causes underlying these, as well as to be more open-minded in terms of the information it seeks out and the narratives it is willing to listen to.

Conclusion

From a Hungarian perspective and focusing on the political context, it is difficult to characterise a year as complex and unprecedented in recent history as 2020. Maybe the best way to do so is to say that it was striking both in its extraordinary character, how it diverged from normality, and maybe even more so in terms of how underneath the chaos things continued on their normal – and from a democratic perspective negative – trajectory. While the most fearful development in 2020, the coronavirus pandemic, was very much at the centre of public discourse, along with other issues that Fidesz pushed to the fore in a successful attempt to dominate the public discourse with its own narratives, the changes that the government carried out in stealth aligned neatly with the policies in previous years in subverting democracy and the rule of law. Moreover, it was also very typical of Hungarian public discourse that even though the coronavirus dominated a considerable slice of public discussions in the media and other forums throughout most of the year, coverage of the issue actually began to wear thin by the time the virus hit Hungary most massively in the fall.

One aspect of this was understandable over-saturation; by the time the more powerful second wave hit Hungary, people had developed a higher threshold for consuming more corona-related news. But another part was the pro-government media's well-known penchant for ignoring news that cast a bad light on the government's performance. The government is keenly sensitive to how the public views its performance and although he clearly prioritised keeping the economy going over reducing the lethal impact of the Covid pandemic, Viktor Orbán knew all too well that he could only do so if the media would fail to adequately cover the horrendous toll of the virus. Fidesz has decisively shaped the current structure of the limited public discourse in Hungary today, and at such a pivotal moment it can reap the benefits.

Just like Hungarian society has become accustomed to the harrowing health impact of the corona epidemic, it is largely indifferent to Fidesz's growing control over areas of life in which politics should not play a role (e.g. the sexual orientation of individuals) or ought to play a minimal role (cultural policy, such as the control of theatres). The Fidesz machine is now taking more direct control of education. After installing party-directed chancellors to oversee state-owned universities, which still make up the vast majority of higher education in Hungary, it decided that some of the more prestigious institutions of higher education should be privatised and be directly controlled by party officials or people with close ties to Fidesz. In 2020, Fidesz went big and gobbled up another six institutions of higher education, which would have gone virtually unnoticed had it not been for the noisy protests by the students and faculty of the University of Theatre and Film Arts (SZFE). Moreover, the law regarding these organizations cannot easily be replaced even after a change of government as they require a two-thirds majority.

Along with a number of universities, 2020 saw the takeover by Fidesz of the most important bulwark of free media in Hungary, namely Index, Hungary's leading online newspaper. What happened at Index was not novel, takeover of major critical media outlets are a regular occurrence. Only the reaction of the newspaper's staff was. Rather than allowing the Fidesz-designated owners to gradually take control and shift the newspaper's editorial stance in bits, like it had happened years earlier at Index's main rival, Origo, the Index staff resigned collectively, moving on to found a competitor, Telex. Telex is now perceived to be part of the "opposition media" universe, which will likely serve to limit its readership to the politically committed and more liberal segments of Hungarian society. What made the Index of yore special, however, was that despite its critical reporting, it successfully reached out to both politically uncommitted/uninterested and soft-right readers, many of whom did not encounter critical news about Fidesz elsewhere.

Another remarkable aspect of 2020 was how far Fidesz can go in centralising power when the Hungarian public perceives that there is a major crisis afoot. During the first wave of the pandemic in the spring, which proved to be relatively mild, the government used its two-thirds majority in parliament to give itself immense emergency powers that appeared unmatched in scope by other emergency laws in democracies. Although there was some international outcry and the predictable protests in the Hungarian opposition, most of the public did not seem concerned that virtually all the remaining and already weak controls over the exercise of executive power had been removed.

Fidesz used the fact that it ceded the emergency power without making much use of it (although among other wanton measures it did cut funding for many opposition-controlled municipalities, as a blatantly partisan and anti-democratic response to its major losses in the municipal elections of 2019) to mock the alleged alarmism of its critics. What was more interesting, however, was that the immense scope of its emergency powers stood in stark contrast to the measures it took in the name of crisis management, which were extremely limited and often unrelated to the coronavirus epidemic. It is characteristic of the poor quality of Hungarian public discourse that the government never had to properly explain why it had asked for and needed such vast powers in the first place, how it had used these powers and to what effect.

Given the limited use of the Covid-related emergency powers, it stands to reason that it was no more than a trial balloon to see how Hungarian society would react if the government was suddenly nigh omnipotent. The response is not at all, really, at least not negatively. We do not know for sure where the next crisis will come from and what shape it will take, but 2020 was the most powerful lesson thus far to show that the government will use any crisis as an opportunity to increase its already vast powers. And the second key lesson of 2020 is that even excessive and obviously unnecessary arrogations of power will not trigger any major resistance in society. Whatever courageous resistance we witnessed on the part of SZFE students and the Index staff ultimately proved futile.

In 2020, the most basic issue for the EU was no longer how it can further deepen integration but whether it can successfully enforce its member states' compliance with even the most fundamental norms of the rule of law and democracy. Although the European leaders managed to avoid a political disaster and unblock the EU budget and the recovery fund after reaching a deal with Poland and Hungary, the conflict is only delayed, not resolved. Crucially for the Hungarian government, even though the new regulation will apply from January 2021, it is likely that there will be no procedures under the rule of law condition until the 2022 elections. However, given the obvious incompatibilities between the Polish-Hungarian duo and the direction of European mainstream politics, further serious conflicts seem to be inevitable in the next years as well.

In the meanwhile, since the migration scaremongering appears to have worn thin, the Hungarian government uses Hungary's vulnerable LGBTQI community as the next scapegoat, unleashing torrents of hateful gay-bashing propaganda in its media and social networks, which has a real and tragic impact on the lives of actual LGBTQI people in Hungary today. And in light of the incendiary and inhumane rhetoric, the opposition faces the extremely unpalatable choice of rising to the provocation, countering Fidesz's hateful propaganda and thereby helping it dominate the public agenda even as the Covid epidemic is raging unchecked and hundreds of thousands of people are threatened by potentially losing their lives or their livelihoods, or to leave the LGBTQI community in the lurch by treating this as a secondary or non-issue.

At the same time, it does bear pointing out that this is a politically highly volatile time and the long-term impact of the Covid pandemic is still far from clear. Although Fidesz remains the largest party by far, recent polls suggest that its support is declining, and the overall opposition is at the end of 2020 slightly ahead in the polls. Not by enough to win an election if it were held today, but at least inching closer to an advantage that might be sufficient for an election victory. The poll analysis site Vox Populi wrote in December 2020 that if this trend persists, then January 2021 may mark the first

time since March 2015 that the opposition would be able to win a majority if the election were held at the time. However, it should be mentioned at this point that this statement is only true if the rules of the game were not changed until 2022. During the last decade, Fidesz has proved its willingness to use its parliamentary supermajority to tilt any playing field to its advantage, once it appears necessary.

It is true that both full terms since 2010 have featured such low points in popularity for Fidesz, when the governing party looked like it might be losing. And then it rebounded to win two successive two-thirds majorities. While Fidesz is still the favourite to win the 2022 election, there are three aspects that make the current situation different. Fidesz's low point in the current term is much later than its previous low point relative to the end of the term: in 2015, Fidesz had plenty of time (3 years) to climb back in the polls. If it continues to drop, it has less time now (approximately 1 year). Second, the economic impact of the pandemic is still unclear, but given the very limited efforts of the government to use stimulus spending to keep businesses afloat, it could be very harsh. More than any other issue, economic stability has been the backbone of Fidesz's success, and if this stability no longer prevails then all bets are off. Finally, the opposition and its electorate have never been this united. On the whole, these factors combine to potentially make Fidesz's seemingly strong position more challenging than previously.

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Hungarian Politics in 2020

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